

1 AN ACT relating to retirement and declaring an emergency.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS 161.220 TO 161.716 IS CREATED  
4 TO READ AS FOLLOWS:

5 *(1) Notwithstanding KRS 161.220 to 161.716, the actuary designated by the board of*  
6 *trustees under KRS 161.400 shall, as part of the annual valuation of the pension*  
7 *fund, assess the funding levels, unfunded liabilities, and the actuarially required*  
8 *employer contribution rates payable solely on behalf of individuals who first*  
9 *become members on or after July 1, 2018.*

10 *(2) If, on the basis of the valuation assessment required under subsection (1) of this*  
11 *section, the funding level for the pension fund for benefits payable on behalf of*  
12 *individuals who first become members on or after July 1, 2018, falls below*  
13 *ninety-five percent (95%) or would require an employer contribution rate for*  
14 *retirement and life insurance benefits that exceeds six percent (6%) of pay, the*  
15 *board shall make the following sequential changes to maintain the funding level*  
16 *and to contain costs within the amounts prescribed by this subsection:*

17 *(a) Simultaneously increasing the employee rate established by subsections*  
18 *(1)(b)1. and (1)(d)1. of Section 5 of this Act, and the employer contribution*  
19 *rate payable by each local board of education, agency, and organization*  
20 *identified under subsection (4) of Section 3 of this Act, not to exceed an*  
21 *additional two percent (2%) of annual compensation each for the employee*  
22 *and employer. The employer contribution rate increase authorized under*  
23 *this paragraph shall be in addition to the employer contributions required*  
24 *under Section 6 of this Act and shall not be funded by state appropriations;*

25 *(b) Reducing or suspending the annual increase in retirement allowances*  
26 *provided under subsection (2) of Section 9 of this Act for individuals who*  
27 *first become members on or after July 1, 2018;*

- 1        (c) Reducing the percentage of final average salary that is used as a retirement  
 2        factor under subsection (1) of Section 9 of this Act applicable to the future  
 3        years of service accrued after the board's action under this paragraph for  
 4        individuals who become members on or after July 1, 2018; or  
 5        (d) Increasing the requirements for unreduced retirement as provided under  
 6        subsection (1)(e) of Section 7 of this Act.

7        (3) For purposes of this subsection, "funding level" means the actuarial value of  
 8        assets divided by the actuarially accrued liability expressed as a percentage that is  
 9        determined and reported by the system's actuary in the system's actuarial  
 10       valuation.

11       ➔Section 2. KRS 161.155 is amended to read as follows:

12       (1) As used in this section:

- 13       (a) "Teacher" shall mean any person for whom certification is required as a basis  
 14       of employment in the common schools of the state;
- 15       (b) "Employee" shall mean any person, other than a teacher, employed in the  
 16       public schools, whether on a full or part-time basis;
- 17       (c) "Immediate family" shall mean the teacher's or employee's spouse, children  
 18       including stepchildren and foster children, grandchildren, daughters-in-law  
 19       and sons-in law, brothers and sisters, parents and spouse's parents, and  
 20       grandparents and spouse's grandparents, without reference to the location or  
 21       residence of said relative, and any other blood relative who resides in the  
 22       teacher's or employee's home;
- 23       (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by  
 24       teachers or employees for use by teachers or employees who have exhausted  
 25       all sick leave and other available paid leave days; and
- 26       (e) "Assault" shall mean an act that intentionally causes injury so significant that  
 27       the victim is determined to be, by certification of a physician or surgeon duly

1 qualified under KRS Chapter 342, incapable of performing the duties of his or  
2 her job.

3 (2) Each district board of education shall allow to each teacher and full-time employee  
4 in its common school system not less than ten (10) days of sick leave during each  
5 school year, without deduction of salary. Sick leave shall be granted to a teacher or  
6 employee if he or she presents a personal affidavit or a certificate of a physician  
7 stating that the teacher or employee was ill, that the teacher or employee was absent  
8 for the purpose of attending to a member of his or her immediate family who was  
9 ill, or for the purpose of mourning a member of his or her immediate family. The  
10 ten (10) days of sick leave granted in this subsection may be taken by a teacher or  
11 employee on any ten (10) days of the school year and shall be granted in addition to  
12 accumulated sick leave days that have been credited to the teacher or employee  
13 under the provisions of subsection (4) of this section.

14 (3) A school district shall coordinate among the income and benefits from workers'  
15 compensation, temporary disability retirement, and district payroll and benefits so  
16 that there is no loss of income or benefits to a teacher or employee for work time  
17 lost because of an assault while performing the teacher's or employee's assigned  
18 duties for a period of up to one (1) year after the assault. In the event a teacher or  
19 employee suffers an assault while performing his or her assigned duties that results  
20 in injuries that qualify the teacher or employee for workers' compensation benefits,  
21 the district shall provide leave to the teacher or employee for up to one (1) year after  
22 the assault with no loss of income or benefits under the following conditions:

23 (a) The district shall pay the salary of the teacher or employee between the time  
24 of the assault and the time the teacher's or employee's workers' compensation  
25 income benefits take effect, or the time the teacher or employee is certified to  
26 return to work by a physician or surgeon duly qualified under KRS Chapter  
27 342, whichever is sooner;

- 1 (b) The district shall pay, for up to one (1) year from the time of the assault, the  
2 difference between the salary of the teacher or employee and any workers'  
3 compensation income benefits received by the teacher or employee resulting  
4 from the assault. Payments by the district shall include payments for  
5 intermittent work time missed as a result of the assault during the one (1) year  
6 period. If the teacher's or employee's workers' compensation income benefits  
7 cease during the one (1) year period after the assault, the district shall also  
8 cease to make payments under this paragraph;
- 9 (c) The Commonwealth, through the Kentucky Department of Education, shall  
10 make the employer's health insurance contribution during the period that the  
11 district makes payments under paragraphs (a) and (b) of this subsection;
- 12 (d) The Commonwealth, through the Kentucky Department of Education, shall  
13 make the employer's contribution to the retirement system in which the  
14 teacher or employee is a member during the period that the district makes  
15 payments under paragraphs (a) and (b) of this subsection; and
- 16 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this  
17 subsection shall be coordinated with workers' compensation benefits under  
18 KRS Chapter 342, disability retirement benefits for teachers under KRS  
19 161.661 to 161.663, and disability retirement benefits for employees under  
20 KRS 61.600 to 61.621 and Sections 36 to 40 of this Act~~[78.545]~~ so that the  
21 teacher or employee receives income equivalent to his or her full contracted  
22 salary, but in no event shall the combined payments exceed one hundred  
23 percent (100%) of the teacher's or employee's full contracted salary.
- 24 (4) Days of sick leave not taken by an employee or a teacher during any school year  
25 shall accumulate without limitation and be credited to that employee or teacher.  
26 Accumulated sick leave may be taken in any school year. Any district board of  
27 education may, in its discretion, allow employees or teachers in its common school

1 system sick leave in excess of the number of days prescribed in this section and may  
2 allow school district employees and teachers to use up to three (3) days' sick leave  
3 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated  
4 sick leave days credited to an employee or a teacher shall remain so credited in the  
5 event he or she transfers his or her place of employment from one (1) school district  
6 to another within the state or to the Kentucky Department of Education or transfers  
7 from the Department of Education to a school district.

8 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to  
9 the opening day of the school year, an affidavit or a certificate of a physician is  
10 presented to the district board of education, stating that the teacher or employee is  
11 unable to commence his or her duties on the opening day of the school year, but will  
12 be able to assume his or her duties within a period of time that the board determines  
13 to be reasonable.

14 (6) Any school teacher or employee may repurchase previously used sick leave days  
15 with the concurrence of the local school board by paying to the district an amount  
16 equal to the total of all costs associated with the used sick leave.

17 (7) A district board of education may adopt a plan for a sick leave bank. The plan may  
18 include limitations upon the number of days a teacher or employee may annually  
19 contribute to the bank and limitations upon the number of days a teacher or  
20 employee may annually draw from the bank. Only those teachers or employees who  
21 contribute to the bank may draw upon the bank. Days contributed will be deducted  
22 from the days available to the contributing teacher or employee. The sick leave bank  
23 shall be administered in accordance with a policy adopted by the board of  
24 education.

25 (8) (a) A district board of education shall establish a sick leave donation program to  
26 permit teachers or employees to voluntarily contribute sick leave to teachers  
27 or employees in the same school district who are in need of an extended

1 absence from school. A teacher or employee who has accrued more than  
2 fifteen (15) days' sick leave may request the board of education to transfer a  
3 designated amount of sick leave to another teacher or employee who is  
4 authorized to receive the sick leave donated. A teacher or employee may not  
5 request an amount of sick leave be donated that reduces his or her sick leave  
6 balance to less than fifteen (15) days.

7 (b) A teacher or employee may receive donations of sick leave if:

8 1. a. The teacher or employee or a member of his or her immediate  
9 family suffers from a medically certified illness, injury,  
10 impairment, or physical or mental condition that has caused or is  
11 likely to cause the teacher or employee to be absent for at least ten  
12 (10) days; or

13 b. The teacher or employee suffers from a catastrophic loss to his or  
14 her personal or real property, due to either a natural disaster or fire,  
15 that either has caused or will likely cause the employee to be  
16 absent for at least ten (10) consecutive working days;

17 2. The teacher's or employee's need for the absence and use of leave are  
18 certified by a licensed physician for leave requested under subparagraph  
19 1.a. of this subsection;

20 3. The teacher or employee has exhausted his or her accumulated sick  
21 leave, personal leave, and any other leave granted by the school district;  
22 and

23 4. The teacher or employee has complied with the school district's policies  
24 governing the use of sick leave.

25 (c) While a teacher or employee is on sick leave provided by this section, he or  
26 she shall be considered a school district employee, and his or her salary,  
27 wages, and other employee benefits shall not be affected.

1 (d) Any sick leave that remains unused, is not needed by a teacher or employee,  
2 and will not be needed in the future shall be returned to the teacher or  
3 employee donating the sick leave.

4 (e) The board of education shall adopt policies and procedures necessary to  
5 implement the sick leave donation program.

6 (9) A teacher or employee may use up to thirty (30) days of sick leave following the  
7 birth or adoption of a child or children. Additional days may be used when the need  
8 is verified by a physician's statement.

9 (10) (a) After July 1, 1982, a district board of education may compensate, at the time  
10 of retirement or upon the death of a member in active contributing status at the  
11 time of death who was eligible to retire by reason of service, an employee or a  
12 teacher, or the estate of an employee or teacher, for each unused sick leave  
13 day. The rate of compensation for each unused sick leave day shall be based  
14 on a percentage of the daily salary rate calculated from the employee's or  
15 teacher's last annual salary, not to exceed thirty percent (30%). Payment for  
16 unused sick leave days, **not to exceed an amount based upon the unused sick**  
17 **leave days accrued as of June 30, 2018,** shall be incorporated into the **annual**  
18 **compensation** ~~[annual salary]~~ of the final year of service for inclusion in the  
19 calculation of the employee's or teacher's retirement allowance only at the  
20 time of his or her initial retirement; provided that the member makes the  
21 regular retirement contribution for members on the sick leave payment. The  
22 accumulation of these days includes unused sick leave days held by the  
23 employee or teacher at the time of implementation of the program.

24 (b) For a teacher or employee who begins employment with a local school district  
25 on or after July 1, 2008, the maximum amount of unused sick leave days a  
26 district board of education may recognize in calculating the payment of  
27 compensation to the teacher or employee under this subsection shall not

1           exceed three hundred (300) days.

2 (11) Any statute to the contrary notwithstanding, employees and teachers who  
3 transferred from the Department of Education to a school district, from a school  
4 district to the Department of Education, or from one (1) school district to another  
5 school district after July 15, 1981, shall receive credit for any unused sick leave to  
6 which the employee or teacher was entitled on the date of transfer. This credit shall  
7 be for the purposes set forth in subsection (10) of this section.

8 (12) The death benefit provided in subsection (10) of this section may be cited as the  
9 Baughn Benefit.

10       ➔Section 3. KRS 161.220 is amended to read as follows:

11 As used in KRS 161.220 to 161.716 and 161.990:

12 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to  
13 161.716 and 161.990 for payment of allowances to members;

14 (2) "Retirement allowance" means the amount annually payable during the course of his  
15 natural life to a member who has been retired by reason of service;

16 (3) "Disability allowance" means the amount annually payable to a member retired by  
17 reason of disability;

18 (4) "Member" means the commissioner of education, deputy commissioners, associate  
19 commissioners, and all division directors in the State Department of Education,  
20 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any  
21 full-time teacher or professional occupying a position requiring certification or  
22 graduation from a four (4) year college or university, as a condition of employment,  
23 and who is employed by public boards, institutions, or agencies as follows:

24 (a) Local boards of education;

25 (b) Eastern Kentucky University, Kentucky State University, Morehead State  
26 University, Murray State University, Western Kentucky University, and any  
27 community colleges established under the control of these universities;



- 1 (c) State-operated secondary area vocational education or area technology centers,  
2 Kentucky School for the Blind, and Kentucky School for the Deaf;
- 3 (d) The Education Professional Standards Board, other public education agencies  
4 as created by the General Assembly, and those members of the administrative  
5 staff of the Teachers' Retirement System of the State of Kentucky whom the  
6 board of trustees may designate by administrative regulation;
- 7 (e) Regional cooperative organizations formed by local boards of education or  
8 other public educational institutions listed in this subsection, for the purpose  
9 of providing educational services to the participating organizations;
- 10 (f) All full-time members of the staffs of the Kentucky Association of School  
11 Administrators, Kentucky Education Association, Kentucky Vocational  
12 Association, Kentucky High School Athletic Association, Kentucky Academic  
13 Association, and the Kentucky School Boards Association who were members  
14 of the Kentucky Teachers' Retirement System or were qualified for a position  
15 covered by the system at the time of employment by the association in the  
16 event that the board of directors of the respective association petitions to be  
17 included. The board of trustees of the Kentucky Teachers' Retirement System  
18 may designate by resolution whether part-time employees of the petitioning  
19 association are to be included. The state shall make no contributions on  
20 account of these employees, either full-time or part-time. The association shall  
21 make the employer's contributions, including any contribution that is specified  
22 under KRS 161.550. The provisions of this paragraph shall be applicable to  
23 persons in the employ of the associations on or subsequent to July 1, 1972;
- 24 (g) Employees of the Council on Postsecondary Education who were employees  
25 of the Department for Adult Education and Literacy and who were members  
26 of the Kentucky Teachers' Retirement System at the time the department was  
27 transferred to the council pursuant to Executive Order 2003-600;

- 1 (h) The Office of Career and Technical Education, except that the executive  
2 director shall not be a member;
- 3 (i) The Office of Vocational Rehabilitation;
- 4 (j) The Kentucky Educational Collaborative for State Agency Children;
- 5 (k) The Governor's Scholars Program;
- 6 (l) Any person who is retired for service from the retirement system and is  
7 reemployed by an employer identified in this subsection in a position that the  
8 board of trustees deems to be a member;
- 9 (m) Employees of the former Cabinet for Workforce Development who are  
10 transferred to the Kentucky Community and Technical College System and  
11 who occupy positions covered by the Kentucky Teachers' Retirement System  
12 shall remain in the Teachers' Retirement System. New employees occupying  
13 these positions, as well as newly created positions qualifying for Teachers'  
14 Retirement System coverage that would have previously been included in the  
15 former Cabinet for Workforce Development, shall be members of the  
16 Teachers' Retirement System;
- 17 (n) Effective January 1, 1998, employees of state community colleges who are  
18 transferred to the Kentucky Community and Technical College System shall  
19 continue to participate in federal old age, survivors, disability, and hospital  
20 insurance, and a retirement plan other than the Kentucky Teachers' Retirement  
21 System offered by Kentucky Community and Technical College System. New  
22 employees occupying positions in the Kentucky Community and Technical  
23 College System as referenced in KRS 164.5807(5) that would not have  
24 previously been included in the former Cabinet for Workforce Development,  
25 shall participate in federal old age, survivors, disability, and hospital insurance  
26 and have a choice at the time of employment of participating in a retirement  
27 plan provided by the Kentucky Community and Technical College System,

- 1 including participation in the Kentucky Teachers' Retirement System, on the  
2 same basis as faculty of the state universities as provided in KRS 161.540 and  
3 161.620;
- 4 (o) Employees of the Office of General Counsel, the Office of Budget and  
5 Administrative Services, and the Office of Quality and Human Resources  
6 within the Office of the Secretary of the former Cabinet for Workforce  
7 Development and the commissioners of the former Department for Adult  
8 Education and Literacy and the former Department for Technical Education  
9 who were contributing to the Kentucky Teachers' Retirement System as of  
10 July 15, 2000;
- 11 (p) Employees of the Kentucky Department of Education only who are graduates  
12 of a four (4) year college or university, notwithstanding a substitution clause  
13 within a job classification, and who are serving in a professional job  
14 classification as defined by the department; and
- 15 (q) The Governor's School for Entrepreneurs Program.
- 16 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,  
17 and became a member of the retirement system created by 1938 (1st Extra. Sess.)  
18 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year  
19 after that date, and any teacher who was a member of a local teacher retirement  
20 system in the public elementary or secondary schools of the state on or before July  
21 1, 1940, and continued to be a member of the system until he, with the membership  
22 of the local retirement system, became a member of the state Teachers' Retirement  
23 System or who becomes a member under the provisions of KRS 161.470(4);
- 24 (6) "New teacher" means any member not a present teacher;
- 25 (7) "Prior service" means the number of years during which the member was a teacher  
26 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior  
27 service shall be allowed or credited to any teacher;

- 1 (8) "Subsequent service" means the number of years during which the teacher is a  
 2 member of the Teachers' Retirement System after July 1, 1941;
- 3 (9) "Final average salary" means the average of the five (5) highest years of annual  
 4 compensation~~[annual salaries]~~ which the member has received for service in a  
 5 covered position and on which the member has made contributions, or on which the  
 6 public board, institution, or agency has picked-up member contributions pursuant to  
 7 KRS 161.540(2), or the average of the five (5) years of annual  
 8 compensation~~[highest salaries]~~ as defined in KRS 61.680(2)(a), which shall include  
 9 picked-up member contributions. For individuals who become members prior to  
 10 July 1, 2018~~[Additionally]~~, the board of trustees may approve a final average salary  
 11 based upon the average of the three (3) highest years of annual  
 12 compensation~~[salaries]~~ for members who are at least fifty-five (55) years of age and  
 13 have a minimum of twenty-seven (27) years of Kentucky service credit. However, if  
 14 any of the five (5) or three (3) highest years of annual compensation~~[annual~~  
 15 ~~salaries]~~ used to calculate the final average salary was paid within the three (3)  
 16 years immediately prior to the date of the member's retirement, the amount of  
 17 annual compensation~~[salary]~~ to be included for each of those three (3) years for the  
 18 purpose of calculating the final average salary shall be limited to the lesser of:
- 19 (a) The member's actual salary; or
- 20 (b) The member's annual salary that was used for retirement purposes during each  
 21 of the prior three (3) years, plus a percentage increase equal to the percentage  
 22 increase received by all other members employed by the public board,  
 23 institution, or agency, or for members of school districts, the highest  
 24 percentage increase received by members on any one (1) rank and step of the  
 25 salary schedule of the school district. The increase shall be computed on the  
 26 salary that was used for retirement purposes.
- 27 This limitation shall not apply if the member receives an increase in salary in a

1 percentage exceeding that received by the other members, and this increase was  
2 accompanied by a corresponding change in position or in length of employment.  
3 This limitation shall also not apply to the payment to a member for accrued annual  
4 leave if the individual becomes a member before July 1, 2008, or accrued **and**  
5 **unused** sick leave **as of June 30, 2018,** which is authorized by statute and which  
6 shall be included as part of a retiring member's annual compensation for the  
7 member's last year of active service;

8 (10) "Annual compensation" means the total salary received by a member as  
9 compensation for all services performed in employment covered by the retirement  
10 system during a fiscal year. Annual compensation shall not include payment for any  
11 benefit or salary adjustments made by the public board, institution, or agency to the  
12 member or on behalf of the member which is not available as a benefit or salary  
13 adjustment to other members employed by that public board, institution, or agency.  
14 Annual compensation shall not include the salary supplement received by a member  
15 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no  
16 circumstances shall annual compensation include compensation that is earned by a  
17 member while on assignment to an organization or agency that is not a public board,  
18 institution, or agency listed in subsection (4) of this section. In the event that federal  
19 law requires that a member continue membership in the retirement system even  
20 though the member is on assignment to an organization or agency that is not a  
21 public board, institution, or agency listed in subsection (4) of this section, the  
22 member's annual compensation for retirement purposes shall be deemed to be the  
23 annual compensation, as limited by subsection (9) of this section, last earned by the  
24 member while still employed solely by and providing services directly to a public  
25 board, institution, or agency listed in subsection (4) of this section. The board of  
26 trustees shall determine if any benefit or salary adjustment qualifies as annual  
27 compensation. For an individual who becomes a member on or after July 1, 2008,

- 1 annual compensation shall not include lump-sum payments upon termination of  
2 employment for accumulated annual or compensatory leave;
- 3 (11) "Age of member" means the age attained on the first day of the month immediately  
4 following the birthdate of the member. This definition is limited to retirement  
5 eligibility and does not apply to tenure of members;
- 6 (12) "Employ," and derivatives thereof, means relationships under which an individual  
7 provides services to an employer as an employee, as an independent contractor, as  
8 an employee of a third party, or under any other arrangement as long as the services  
9 provided to the employer are provided in a position that would otherwise be covered  
10 by the Kentucky Teachers' Retirement System and as long as the services are being  
11 provided to a public board, institution, or agency listed in subsection (4) of this  
12 section;
- 13 (13) "Regular interest" means interest at three percent (3%) per annum, except for an  
14 individual who becomes a member on or after July 1, 2008, "regular interest" means  
15 interest at two and one-half percent (2.5%) per annum for purposes of crediting  
16 interest to the teacher savings account or any other contributions made by the  
17 employee that are refundable to the employee upon termination of employment;
- 18 (14) "Accumulated contributions" means the contributions of a member to the teachers'  
19 savings fund, including picked-up member contributions as described in KRS  
20 161.540(2), plus accrued regular interest;
- 21 (15) "Annuitant" means a person who receives a retirement allowance or a disability  
22 allowance;
- 23 (16) "Local retirement system" means any teacher retirement or annuity system created  
24 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 25 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The  
26 retirement plan year is concurrent with this fiscal year. A contract for a member  
27 employed by a local board of education may not exceed two hundred sixty-one

- 1 (261) days in the fiscal year;
- 2 (18) "Public schools" means the schools and other institutions mentioned in subsection  
3 (4) of this section;
- 4 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was  
5 receiving, at the time of death of the member, at least one-half (1/2) of the support  
6 from the member for maintenance, including board, lodging, medical care, and  
7 related costs;
- 8 (20) "Active contributing member" means a member currently making contributions to  
9 the Teachers' Retirement System, who made contributions in the next preceding  
10 fiscal year, for whom picked-up member contributions are currently being made, or  
11 for whom these contributions were made in the next preceding fiscal year;
- 12 (21) "Full-time" means employment in a position that requires services on a continuing  
13 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year  
14 basis;
- 15 (22) "Full actuarial cost," when used to determine the payment that a member must pay  
16 for service credit means the actuarial value of all costs associated with the  
17 enhancement of a member's benefits or eligibility for benefit enhancements,  
18 including health insurance supplement payments made by the retirement system.  
19 The actuary for the retirement system shall determine the full actuarial value costs  
20 and actuarial cost factor tables as provided in KRS 161.400;
- 21 (23) "Last annual compensation" means the annual compensation, as defined by  
22 subsection (10) of this section and as limited by subsection (9) of this section,  
23 earned by the member during the most recent period of contributing service, either  
24 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)  
25 full year of service credit in the Kentucky Teachers' Retirement System, and which  
26 compensation is used in calculating the member's initial retirement allowance,  
27 excluding bonuses, retirement incentives, payments for accumulated sick, annual,

1 personal and compensatory leave, and any other lump-sum payment. For an  
2 individual who becomes a member on or after July 1, 2008, payments for annual or  
3 compensatory leave shall not be included in determining the member's last annual  
4 compensation;

5 (24) "Participant" means a member, as defined by subsection (4) of this section, or an  
6 annuitant, as defined by subsection (15) of this section;

7 (25) "Qualified domestic relations order" means any judgment, decree, or order,  
8 including approval of a property settlement agreement, that:

9 (a) Is issued by a court or administrative agency; and

10 (b) Relates to the provision of child support, alimony payments, or marital  
11 property rights to an alternate payee;~~and~~

12 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
13 participant, who is designated to be paid retirement benefits in a qualified domestic  
14 relations order;

15 **(27) "University member" means an individual who becomes a member through**  
16 **employment with an employer specified in subsection (4)(b) and (n) of this**  
17 **section; and**

18 **(28) "Nonuniversity member" means an individual who becomes a member through**  
19 **employment with an employer specified under subsection (4) of this section,**  
20 **except for those members employed by an employer specified in subsection (4)(b)**  
21 **and (n) of this section.**

22 ➔Section 4. KRS 161.420 is amended to read as follows:

23 All of the assets of the retirement system are for the exclusive purpose of providing  
24 benefits to members and annuitants and defraying reasonable expenses of administering  
25 the system. The board of trustees shall be the trustee of all funds of the system and shall  
26 have full power and responsibility for administering the funds. It is hereby declared that  
27 the restrictions and rights provided herein shall not be subject to reduction or impairment



1 by alteration, amendment, or repeal. All the assets of the retirement system shall be  
2 credited according to the purpose for which they are held to one (1) of the following  
3 funds:

- 4 (1) The expense fund shall consist of the funds set aside from year to year by the board  
5 of trustees to defray the expenses of the administration of the retirement system.  
6 Each fiscal year an amount not greater than four percent (4%) of the dividends and  
7 interest income earned from investments during the immediate past fiscal year shall  
8 be set aside into the expense fund or expended for the administration of the  
9 retirement system;
- 10 (2) The teachers' savings fund shall consist of the contributions paid by members of the  
11 retirement system into this fund and regular interest assigned by the board of  
12 trustees from the guarantee fund. A member may not borrow any amount of his or  
13 her accumulated contributions to this fund, or any interest earned thereon. The  
14 accumulated contributions of a member returned to him upon his withdrawal or  
15 paid to his estate or designated beneficiary in the event of his death shall be paid  
16 from the teachers' savings fund. Any accumulated contributions forfeited by a  
17 failure of a teacher or his estate to claim these contributions shall be transferred  
18 from the teachers' savings fund to the guarantee fund. The accumulated  
19 contributions of a member shall be transferred from the teachers' savings fund to the  
20 allowance reserve fund in the event of retirement by reason of service or disability;
- 21 (3) The state accumulation fund shall consist of funds *paid by employers and*  
22 appropriated by the state for the purpose of providing annuities and survivor  
23 benefits, including any sums appropriated for meeting unfunded liabilities, together  
24 with regular interest assigned by the board of trustees from the guarantee fund. At  
25 the time of retirement or death of a member there shall be transferred from the state  
26 accumulation fund to the allowance reserve fund an amount which together with the  
27 sum transferred from the teachers' savings fund will be sufficient to provide the

1 member a retirement allowance and provide for benefits under KRS 161.520 and  
2 161.525;

3 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement  
4 allowances and benefits provided under KRS 161.520 and 161.525. In addition,  
5 whenever a change in the status of a member results in an obligation on this fund,  
6 there shall be transferred to this fund from the teachers' savings fund and the state  
7 accumulation fund, the amounts as may be held in those funds for the account or  
8 benefit of the member;

9 (5) (a) Effective July 1, 2018, the medical insurance fund, which is an account  
10 established according to 26 U.S.C. sec. 401(h), shall consist of amounts  
11 accumulated for the purpose of providing benefits as provided in KRS  
12 161.675, including:

13 1. The member contributions required by subsections (1)(a)2., 1(b)2.,  
14 (1)(c)2., and (1)(d)2. of Section 5 of this Act~~[For individuals who~~  
15 ~~become members before July 1, 2008, one and one half percent (1.5%)~~  
16 ~~of the gross annual payroll of all members shall be deposited to this~~  
17 ~~fund. Of this amount, three quarters of a percent (0.75%) shall derive~~  
18 ~~from member contributions as provided by KRS 161.540 and three~~  
19 ~~quarters of a percent (0.75%) from a state appropriation];~~

20 2. The employer contribution that is used to fund retiree health benefits  
21 required by subsection (1) of Section 6 of this Act~~[For individuals who~~  
22 ~~become members on or after July 1, 2008, two and one half percent~~  
23 ~~(2.5%) of the gross annual payroll of all members shall be deposited to~~  
24 ~~this fund. Of this amount, one and three quarters percent (1.75%) shall~~  
25 ~~derive from member contributions as provided by KRS 161.540 and~~  
26 ~~three quarters of a percent (0.75%) from a state appropriation;~~

27 3. ~~Effective July 1, 2010, the member contributions required under KRS~~

1                   ~~161.540(1)(c);~~

2                   ~~3~~[4]. Effective July 1, 2010, local board of education, agency, and  
3                   organization contributions required under **subsection (3) of Section 6 of**  
4                   **this Act**[~~KRS 161.550(3)~~], unless the board of trustees establishes a trust  
5                   fund under 26 U.S.C. sec. 115 for health care purposes, in which case  
6                   the board may direct those contributions to that trust fund;

7                   **4. State appropriations**[~~5. — Employer — medical — insurance — fund~~  
8                   ~~stabilization contributions~~] as set forth in **subsection (2) of Section 6 of**  
9                   **this Act**[~~KRS 161.550~~], unless the contributions are made to a trust fund  
10                  under 26 U.S.C. sec. 115 established by the board for this purpose; and

11                  ~~5~~[6]. Interest income from the investments of the fund from contributions  
12                  received by the fund under subparagraphs 1. to 5. of this paragraph, and  
13                  from income earned on those investments.

14                  (b) All claims for benefits under KRS 161.675 shall be paid from this fund or  
15                  from any trust fund under 26 U.S.C. sec. 115 as established by the board for  
16                  this purpose. Any amounts deposited to the fund that are not required to meet  
17                  current costs shall be maintained as a reserve in the fund for these benefits.  
18                  The board shall take the necessary and appropriate steps, including  
19                  promulgating administrative regulations and procedures to maintain the status  
20                  of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

21                  (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest  
22                  on the amounts of the other funds, except the expense fund, to finance operating  
23                  expenses directly related to investment management services, and to provide a  
24                  contingent fund out of which special requirements of any of the other funds may be  
25                  covered. All income, interest, and dividends derived from the authorized deposits  
26                  and investments shall be paid into the guarantee fund. Any funds received from  
27                  gifts and bequests, which the board is hereby authorized to accept and expend

1 without limitation in a manner either expressed by the donor or deemed to be in the  
2 best interest of the membership, shall be credited to the guarantee fund. Any funds  
3 transferred from the teachers' savings fund by reason of lack of claimant or because  
4 of a surplus in any fund and any other moneys whose disposition is not otherwise  
5 provided for, shall also be credited to the guarantee fund. The interest allowed by  
6 the board of trustees to each of the other funds shall be paid to these funds from the  
7 guarantee fund. Any deficit occurring in any fund that would not be automatically  
8 covered shall be met by the payments from the guarantee fund to that fund;

9 (7) The school employee annuity fund shall consist of those funds voluntarily  
10 contributed under the provisions of Section 403(b) of the Internal Revenue Code by  
11 a retired member of the Teachers' Retirement System with accounts that existed on  
12 or after July 1, 1996. The contributions shall not be picked up as provided in KRS  
13 161.540(2). Separate member accounts shall be maintained for each member. The  
14 board of trustees may promulgate administrative regulations pursuant to KRS  
15 Chapter 13A to manage this program;

16 (8) The supplemental retirement benefit fund shall consist of those funds contributed by  
17 the employer for the purpose of constituting a qualified government excess benefit  
18 plan as described in Section 415 of the Internal Revenue Code for accounts that  
19 existed on or after July 1, 1996. The board of trustees shall promulgate  
20 administrative regulations pursuant to KRS Chapter 13A to administer this  
21 program; and

22 (9) The life insurance benefit fund shall consist of amounts accumulated for the  
23 purpose of providing benefits provided under KRS 161.655. The board of trustees  
24 may allocate to this fund a percentage of the employer and state contributions as  
25 provided under KRS 161.550. The allocation to this fund will be in an amount that  
26 the actuary determines necessary to fund the obligation of providing the benefits  
27 provided under KRS 161.655.

1        ➔ Section 5. KRS 161.540 is amended to read as follows:

- 2        (1) (a) Effective July 1, 2018~~[1988]~~, each individual who first becomes a  
 3        nonuniversity member before July 1, 2018~~[2008]~~, shall contribute to the  
 4        retirement system twelve and eight hundred fifty-five thousandths percent  
 5        (12.855%)~~[nine and eight hundred fifty five thousandths percent (9.855%)]~~ of  
 6        annual compensation, of which:
- 7        1. Nine and one hundred five thousandths percent (9.105%) of annual  
 8        compensation shall be used to fund pension benefits; and
- 9        2. Three and three-quarters percent (3.75%) of annual compensation  
 10        shall be used to fund retiree health benefits~~[except that university~~  
 11        ~~employees who participate in the Kentucky Teachers' Retirement System~~  
 12        ~~shall contribute eight and three hundred seventy five thousandths~~  
 13        ~~percent (8.375%) of annual compensation].~~
- 14        (b) Effective July 1, 2018, each individual who first becomes a nonuniversity  
 15        member on or after July 1, 2018~~[2008]~~, shall contribute to the retirement  
 16        system thirteen and three-quarters~~[ten and eight hundred fifty five~~  
 17        ~~thousandths]~~ percent (13.75%)~~[(10.855%)]~~ of annual compensation, of which:
- 18        1. Ten percent (10%) of annual compensation shall be used to fund  
 19        pension benefits; and
- 20        2. Three and three-quarters percent (3.75%) of annual compensation  
 21        shall be used to fund retiree health benefits.~~[except that]~~
- 22        (c) Effective July 1, 2018, each individual who first becomes a university  
 23        member before July 1, 2018,~~[university employees who participate in the~~  
 24        ~~Kentucky Teachers' Retirement System]~~ shall contribute to the retirement  
 25        system ten and four-tenths percent (10.4%)~~[nine and three hundred seventy-~~  
 26        ~~five thousandths percent (9.375%)]~~ of annual compensation, of which: [-]
- 27        1. Seven and six hundred twenty-five thousandths percent (7.625%) of

1                   annual compensation shall be used to fund pension benefits; and  
 2                   2. Two and seven hundred seventy-five thousandths percent (2.775%) of  
 3                   annual compensation shall be used to fund retiree health benefits.

4                   (d) Effective July 1, 2018, each individual who first becomes a university  
 5                   member on or after July 1, 2018, shall contribute to the retirement system  
 6                   eleven and two hundred ninety-five thousandths percent (11.295%) of  
 7                   annual compensation, of which:

8                   1. Eight and fifty-two hundredths percent (8.52%) of annual  
 9                   compensation shall be used to fund pension benefits; and  
 10                   2. Two and seven hundred seventy-five thousandths percent (2.775%) of  
 11                   annual compensation shall be used to fund retiree health benefits.

12                   (e) Notwithstanding the provisions of paragraphs (b) and (d) of this subsection,  
 13                   the board shall increase the employee contribution rate specified under  
 14                   paragraphs (b)1. and (d)1. of this subsection subject to the requirements  
 15                   and restrictions of Section 1 of this Act.

16                   ~~{(c) 1. Effective July 1, 2010, members shall, in addition to those contributions~~  
 17                   ~~required under paragraphs (a) and (b) of this subsection, make a contribution~~  
 18                   ~~to the medical insurance fund established under KRS 161.420(5) according to~~  
 19                   ~~the following schedule:~~

20                   ~~a. For each individual who first became a member of the retirement~~  
 21                   ~~system before July 1, 2008, a total amount of annual compensation~~  
 22                   ~~equal to and effective on:~~

- 23                   ~~— July 1, 2010.....Twenty five hundredths percent (.25%)~~
- 24                   ~~— July 1, 2011.....One half percent (0.50%)~~
- 25                   ~~— July 1, 2012.....One percent (1.0%)~~
- 26                   ~~— July 1, 2013.....One and one half percent (1.5%)~~
- 27                   ~~— July 1, 2014.....Two and twenty five hundredths percent (2.25%)~~

1                   ~~— July 1, 2015,~~  
2                   ~~— and thereafter.....Three percent (3.0%) for a total of three and~~  
3                   ~~— seventy five hundredths percent (3.75%)~~  
4                   ~~— when added to the contributions required~~  
5                   ~~— under KRS 161.420(5)(a); or~~  
6                   ~~b. For each individual who first becomes a member of the retirement~~  
7                   ~~system on or after July 1, 2008, a total amount of annual~~  
8                   ~~compensation equal to and effective on:~~  
9                   ~~— July 1, 2013.....One half percent (0.50%)~~  
10                   ~~— July 1, 2014.....One and twenty five hundredths percent (1.25%)~~  
11                   ~~— July 1, 2015,~~  
12                   ~~— and thereafter.....Two percent (2.0%) for a total of three and~~  
13                   ~~— seventy five hundredths percent (3.75%)~~  
14                   ~~— when added to the contributions required~~  
15                   ~~— under KRS 161.420(5)(a)~~  
16                   ~~2. Notwithstanding subparagraph 1. of this paragraph, members employed~~  
17                   ~~by any employer identified in KRS 161.220(4)(b) or (n) shall contribute,~~  
18                   ~~as a percentage of their total annual compensation, the actuarial~~  
19                   ~~equivalent of the percentage contributed by members under~~  
20                   ~~subparagraph 1. of this paragraph, not to exceed the percentages~~  
21                   ~~established under the schedules set forth in subparagraph 1. of this~~  
22                   ~~paragraph. The actuarial equivalent to be contributed under this~~  
23                   ~~subsection shall be determined by the retirement system's actuary. These~~  
24                   ~~contributions shall be in lieu of those contributions required under~~  
25                   ~~subparagraph 1. of this paragraph.~~

26                   ~~3. — ]~~

27                   (f) When the medical insurance fund established under KRS 161.420(5) achieves

1 a sufficient prefunded status as determined by the retirement system's actuary,  
2 the board of trustees shall recommend to the General Assembly that the  
3 contributions required under ~~paragraphs~~<sup>subparagraphs</sup> (a)2., (b)2., (c)2.,  
4 and (d)2. of this subsection~~[1. and 2. of this paragraph]~~ shall, in an actuarially  
5 accountable manner, be either decreased, suspended, or eliminated.

6 ~~(g)~~<sup>(d)</sup> Payments authorized by statute that are made to retiring members, who  
7 became members of the system before July 1, 2008, for not more than sixty  
8 (60) days of unused accrued annual leave shall be considered as part of the  
9 member's annual compensation, and shall be used only for the member's final  
10 year of active service. The contribution of members shall not exceed these  
11 applicable percentages on annual compensation. When a member retires, if it  
12 is determined that he has made contributions on a salary in excess of the  
13 amount to be included for the purpose of calculating his final average salary,  
14 any excess contribution shall be refunded to him in a lump sum at the time of  
15 the payment of his first retirement allowance. In the event a member is  
16 awarded a court-ordered back salary payment the employer shall deduct and  
17 remit the member contribution on the salary payment, plus interest to be paid  
18 by the employer, to the retirement system unless otherwise specified by the  
19 court order.

- 20 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for  
21 the purpose of compliance with Section 414(h) of the United States Internal  
22 Revenue Code, pick up the member contributions required by this section for all  
23 compensation earned after August 1, 1982, and the contributions so picked up shall  
24 be treated as employer contributions in determining tax treatment under the United  
25 States Internal Revenue Code and KRS 141.010(10). The picked-up member  
26 contribution shall satisfy all obligations to the retirement system satisfied prior to  
27 August 1, 1982, by the member contribution, and the picked-up member



1 contribution shall be in lieu of a member contribution. Each employer shall pay  
 2 these picked-up member contributions from the same source of funds which is used  
 3 to pay earnings to the member. The member shall have no option to receive the  
 4 contributed amounts directly instead of having them paid by the employer to the  
 5 system. Member contributions picked-up after August 1, 1982, shall be treated for  
 6 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent  
 7 as member contributions made prior to August 1, 1982.

8 ➔Section 6. KRS 161.550 is amended to read as follows:

- 9 (1) (a) Effective July 1, 2018, and for each fiscal year occurring  
 10 thereafter~~[Beginning with July 1]~~, each employer, except as provided under  
 11 KRS 161.555, shall contribute annually to the ~~[Kentucky]~~Teachers'  
 12 Retirement System a base permanent employer contribution for members  
 13 who began participating prior to July 1, 2018,~~[amount]~~ equal to:

14 1. Thirteen and one hundred five thousandths percent (13.105%) of the  
 15 total annual compensation of nonuniversity members it employs, of  
 16 which:

17 a. Twelve and three hundred fifty-five thousandths percent  
 18 (12.355%) of the total annual compensation shall be used to  
 19 fund pension and life insurance benefits;~~[that contributed by~~

20 ~~members of the retirement system it employs less the amount~~  
 21 ~~contributed by employees under KRS 161.540(1)(c), plus an~~  
 22 ~~additional three and one fourths percent (3.25%) of the total of~~  
 23 ~~salaries of members of the retirement system it employs to~~  
 24 ~~discharge the system's unfunded obligations with interest assumed~~  
 25 ~~by the state] and~~

26 b. Three-quarters of a percent (0.75%) of annual compensation  
 27 shall be used to provide funding to the medical insurance fund as

1 provided under KRS 161.420(5). If the board of trustees  
2 establishes a trust fund under 26 U.S.C. sec. 115, the board may  
3 deposit the employer contribution provided in this subparagraph~~]~~  
4 ~~dedicated to retiree health]~~ in that trust fund; ~~]~~

5 2. Thirteen and sixty-five hundredths percent (13.65%) of the total  
6 annual compensation of university members of the retirement system  
7 it employs, of which:

8 a. Ten and eight hundred seventy-five thousandths percent  
9 (10.875%) of the total annual compensation shall be used to  
10 fund pension and life insurance benefits; and

11 b. Two and seven hundred seventy-five thousandths percent  
12 (2.775%) of annual compensation shall be used to provide  
13 funding to the medical insurance fund as provided under  
14 subsection (5) of Section 4 of this Act. If the board of trustees  
15 establishes a trust fund under 26 U.S.C. sec. 115, the board may  
16 deposit the employer contribution provided in this subparagraph  
17 in that trust fund; and

18 3. Effective July 1, 2018, and for each year thereafter, for those members  
19 who began participating prior to July 1, 2018, the state by state  
20 appropriation shall pay the additional contributions needed to fund  
21 the Teachers' Retirement System pension fund and life insurance  
22 fund on an actuarially sound basis as determined by the system's  
23 actuarial valuation completed in accordance with KRS 161.400 and as  
24 specified by this paragraph. The amount payable under the provisions  
25 of this subparagraph shall be in addition to the amounts provided  
26 under subparagraphs 1.a. and 2.a. of this paragraph and shall not  
27 include the cost or funding of benefits established by KRS 161.553 or

1 to provide funding for individuals who become members on or after  
2 July 1, 2018; and

3 (b) Effective July 1, 2018, and for each fiscal year occurring thereafter, each  
4 employer, except as provided under KRS 161.555, shall contribute annually  
5 to the Teachers' Retirement System a base permanent employer  
6 contribution for individuals who become members on or after July 1, 2018,  
7 equal to:

8 1. Six and three-quarters percent (6.75%) of the total annual  
9 compensation of nonuniversity members it employs, of which:

10 a. Six percent (6%) of the total annual compensation shall be used  
11 to fund pension and life insurance benefits; and

12 b. Three-quarters of one percent (0.75%) of annual compensation  
13 shall be used to provide funding to the medical insurance fund  
14 as provided under subsection (5) of Section 4 of this Act. If the  
15 board of trustees establishes a trust fund under 26 U.S.C. sec.  
16 115, the board may deposit the employer contribution provided in  
17 this subparagraph in that trust fund;

18 2. Eight and seven hundred seventy-five thousandths percent (8.775%) of  
19 the total annual compensation of university members of the retirement  
20 system it employs, of which:

21 a. Six percent (6%) of the total annual compensation shall be used  
22 to fund pension and life insurance benefits; and

23 b. Two and seven hundred seventy-five thousandths percent  
24 (2.775%) of annual compensation shall be used to provide  
25 funding to the medical insurance fund as provided under  
26 subsection (5) of Section 4 of this Act. If the board of trustees  
27 establishes a trust fund under 26 U.S.C. sec. 115, the board may

1                                   deposit the employer contribution provided in this subparagraph  
2                                   in that trust fund; and

3                   3. Notwithstanding the provisions of subparagraphs 1. and 2. of this  
4                   paragraph, the board shall increase the employer contribution rate  
5                   specified under subparagraphs 1.a. and 2.a. of this paragraph subject  
6                   to the requirements and restrictions of Section 1 of this Act.

7 (2) In addition to the required contributions in subsection (1) of this section, the state  
8 shall contribute annually to the Kentucky Teachers' Retirement System a percentage  
9 of the total salaries of the state-funded and federally funded members it employs to  
10 pay the cost of health insurance coverage for retirees who are not eligible for  
11 Medicare and who retire on or after July 1, 2010, less the amounts that are  
12 otherwise required to be paid by the retirees under KRS 161.675. The Kentucky  
13 Teachers' Retirement System may also request an additional amount necessary to  
14 ensure payment of medical insurance costs through fiscal year 2015-2016 which  
15 shall not be subject to the limitations of paragraph (c) of this subsection. The board  
16 shall deposit funds in the medical insurance fund unless the board of trustees has  
17 established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the  
18 board may deposit the employer contribution in that trust fund. This contribution  
19 shall be known as the state medical insurance fund stabilization contribution. The  
20 percentage to be contributed by the state under this subsection:

21 (a) Shall be determined by the retirement system's actuary for each biennial  
22 budget period;

23 (b) May be suspended or adjusted by the General Assembly if in its judgment the  
24 welfare of the Commonwealth so demands; and

25 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for  
26 Medicare who retire on or after July 1, 2010, or the amount contributed by  
27 employers under subsection (3) of this section.

1 (3) Effective July 1, 2018~~[Effective July 1, 2010]~~, all employers who employ  
 2 nonuniversity members~~[local boards of education, agencies, and organizations~~  
 3 ~~identified in KRS 161.220(4), with the exception of those institutions identified~~  
 4 ~~under paragraphs (b) and (n) of KRS 161.220(4)]~~, shall make a contribution for  
 5 each payroll on behalf of their active employees who participate in the~~[Kentucky]~~  
 6 Teachers' Retirement System in an amount equal to three percent (3%)~~[the~~  
 7 ~~percentage]~~ of payroll of those active employees. The contribution specified by this  
 8 subsection that is paid on or after July 1, 2018, shall be used to fund retiree  
 9 health benefits.~~[, according to the schedule as follows:~~

10	July 1, 2010.....	Twenty five hundredths percent (.25%)
11	July 1, 2011.....	One half percent (.50%)
12	July 1, 2012.....	One percent (1.0%)
13	July 1, 2013.....	One and one half percent (1.5%)
14	July 1, 2014.....	Two and twenty five hundredths percent (2.25%)
15	July 1, 2015, and thereafter.....	Three percent (3.0%)

16 ~~(4) Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution~~  
 17 ~~for each payroll on behalf of their active employees who participate in the Kentucky~~  
 18 ~~Teachers' Retirement System of an amount equal to a percentage of these~~  
 19 ~~employees' payroll that is actuarially equivalent to the percentage contributed by~~  
 20 ~~local boards of education, agencies, and organizations identified under subsection~~  
 21 ~~(3) of this section, not to exceed the percentages established under the schedule set~~  
 22 ~~forth in subsection (3) of this section. The actuarial equivalent to be contributed~~  
 23 ~~under this subsection shall be determined by the Kentucky Teachers' Retirement~~  
 24 ~~System's actuary.~~

25 ~~(5) When the medical insurance fund established under KRS 161.420(5) achieves a~~  
 26 ~~sufficient prefunded status as determined by the Kentucky Teachers' Retirement~~  
 27 ~~System's actuary, the board of trustees shall recommend to the General Assembly~~

1       ~~that the contributions required under subsections (3) and (4) of this section shall, in~~  
 2       ~~an actuarially accountable manner, be either decreased, suspended, or eliminated.~~

3       ~~(6) Each employer shall remit the required employer contributions to the retirement~~  
 4       ~~system under the terms and conditions specified for member contributions under~~  
 5       ~~KRS 161.560. The state shall provide annual appropriations based upon estimated~~  
 6       ~~funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4);~~  
 7       ~~161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), (6), and (7).~~  
 8       ~~‡~~

9       **(4)** In the event an annual appropriation is less than the amount of these requirements,  
 10       the state shall make up the deficit in the next biennium budget appropriation to the  
 11       retirement system. Employer contributions to the retirement system are for the  
 12       exclusive purpose of providing benefits to members and annuitants and these  
 13       contributions shall be considered deferred compensation to the members.

14       ➔Section 7. KRS 161.600 is amended to read as follows:

15       (1) Effective July 1, 1988, a member of the retirement system may qualify for service  
 16       retirement by meeting one (1) of the following requirements:

17       (a) Attainment of age sixty (60) years and completion of five (5) years of~~‡~~  
 18       ~~Kentucky~~ service;

19       (b) 1. For an individual who becomes a member before July 1, 2008,  
 20       attainment of age fifty-five (55) years and completion of a minimum of  
 21       five (5) years of~~‡~~ ~~Kentucky~~ service with an actuarial reduction of the  
 22       basic allowance of five percent (5%) for each year the member's age is  
 23       less than sixty (60) years or for each year the member's years of~~‡~~  
 24       ~~Kentucky~~ service credit is less than twenty-seven (27), whichever is the  
 25       lesser number;~~‡~~ ~~and~~

26       2. For an individual who becomes a member on or after July 1, 2008, ***but***  
 27       ***prior to July 1, 2018,*** attainment of age fifty-five (55) years and

1 completion of a minimum of ten (10) years of ~~Kentucky~~ service with  
 2 an actuarial reduction of the basic retirement allowance of six percent  
 3 (6%) for each year the member's age is less than sixty (60) years or for  
 4 each year the member's years of ~~Kentucky~~ service credit is less than  
 5 twenty-seven (27), whichever is the lesser number; and

6 **3. For an individual who becomes a member on or after July 1, 2018,**  
 7 **attainment of an age and years of service that total at least seventy**  
 8 **(70) years with an actuarial reduction of the basic retirement**  
 9 **allowance of two percent (2%) for each year the member's age and**  
 10 **years of service total less than eighty-five (85);**

11 (c) **For an individual who becomes a member prior to July 1, 2018,** completion  
 12 of twenty-seven (27) years of Kentucky service. Out-of-state service earned in  
 13 accordance with the provisions of KRS 161.515(2) may be used to meet this  
 14 requirement; ~~or~~

15 (d) **For an individual who becomes a member prior to July 1, 2018,** completion  
 16 of the necessary years of service under provisions of KRS 61.559(2)(c) if the  
 17 member is retiring under the reciprocity provisions of KRS 61.680. A member  
 18 retiring under this paragraph who has not attained age fifty-five (55) shall  
 19 incur an actuarial reduction of the basic allowance determined by the system's  
 20 actuary for each year the member's service credit is less than twenty-seven  
 21 (27); or

22 (e) **For an individual who becomes a member on or after July 1, 2018,**  
 23 **attainment of an age and years of service that total at least eighty-five (85).**

24 **Except as provided under paragraph (c) of this subsection, the years of service**  
 25 **used to determine eligibility under this subsection shall only include years of**  
 26 **service credited under the Teachers' Retirement System or another state-**  
 27 **administered retirement system.**

1 (2) Any person who has been a member in Kentucky for twenty-seven (27) years or  
2 more and who withdraws from covered employment may continue to pay into the  
3 fund each year until the end of the fiscal year in which he reaches the age of sixty-  
4 five (65) years, the current contribution rate based on the annual compensation  
5 received during the member's last full year in covered employment, less any  
6 payment received for accrued sick leave or accrued leave from an employer. The  
7 member shall be entitled to receive a retirement allowance as provided in KRS  
8 161.620 at any time after withdrawing from covered employment and payment of  
9 contributions under this subsection. No member shall make contributions as  
10 provided for in this subsection if the member is at the same time making  
11 contributions to another retirement system in Kentucky supported wholly or in part  
12 by public funds. *The provisions of this subsection shall not apply to individuals*  
13 *who become members on or after July 1, 2018.*

14 (3) Service credit in the Kentucky Employees Retirement System, the State Police  
15 Retirement System, the Legislators' Retirement Plan, the County Employees  
16 Retirement System, or the Judicial Retirement System may be used in meeting the  
17 service requirements of subsection (1)(a), (b), and (c) of this section, provided the  
18 service is subsequent to July 1, 1956. Upon death, disability, or service retirement, a  
19 member's accounts under all state supported retirement systems shall be  
20 consolidated, as provided by this section and by KRS 61.680, for the purpose of  
21 determining eligibility and amount of benefits, which shall include medical benefits.  
22 Upon determination of benefits, each system shall pay the applicable percentage of  
23 total benefits. The effective date of retirement under this subsection shall be  
24 determined by each retirement system for the portion of the payments that will be  
25 made.

26 (4) No retirement annuity shall be effective until written application and option election  
27 forms are filed with the retirement office in accordance with administrative



1 regulations of the board of trustees. A member may withdraw his or her retirement  
 2 application, postpone his or her effective retirement date, or change his or her  
 3 retirement option if these elections are made no later than the fifteenth day of the  
 4 month in which the member has made application for retirement.

5 (5) The surviving spouse of an active contributing member, if named as beneficiary of  
 6 the member's account, may purchase retirement credit that the member was eligible  
 7 to purchase prior to the member's death.

8 ➔Section 8. KRS 161.611 is amended to read as follows:

9 (1) The board of trustees **shall adopt and maintain a school employee annuity plan**  
 10 **under Internal Revenue Code Section 403(b) for qualified employees**~~is~~  
 11 ~~authorized to provide a supplemental retirement benefit plan for the sole purpose of~~  
 12 ~~enabling the employer to apply the same formula for determining benefits payable~~  
 13 ~~to all members of the retirement system employed by the employer, whose benefits~~  
 14 ~~under the retirement system are limited by Section 415 of the Internal Revenue~~  
 15 ~~Code of 1986, as amended from time to time]. This plan is intended to constitute a~~  
 16 qualified governmental excess benefit plan as described in Section 415 of the  
 17 Internal Revenue Code.

18 (2) The board of trustees:

19 **(a)** Shall administer this plan and have full discretionary fiduciary authority to  
 20 determine all questions in connection with the plan;~~[- The board of trustees]~~

21 **(b)** May adopt procedural rules and administrative regulations and may employ  
 22 and rely on any legal counsel, actuaries, accountants, and agents as it deems  
 23 advisable to assist in the administration of this plan;

24 **(c)** **Shall offer investments as are deemed appropriate by the board of trustees,**  
 25 **including but not limited to low-cost, diversified equity and bond index**  
 26 **funds and annuity contracts; and**

27 **(d)** **Shall contract with persons or companies duly licensed by the state of**

1           *Kentucky and applicable federal regulatory agencies, at the cost of the*  
2           *annuity fund, to provide investment advice to participants in the plan with*  
3           *respect to their selection of offered investments.*

4 (3) All members and retired former members in the retirement system shall be eligible  
5 to *voluntarily* participate in *the school employee annuity 403(b)*~~[this] plan,~~  
6 ~~[whenever their benefits under the retirement system would exceed the limitation on~~  
7 ~~benefits imposed by Section 415 of the Internal Revenue Code]~~ *A participant shall*  
8 *at all times have a nonforfeitable interest in his or her employee contributions as*  
9 *adjusted by any applicable investment earnings or losses on those employee*  
10 *contributions.*

11 (4) On or after the effective date of this plan, the employer shall pay to each eligible  
12 member in the retirement system who retires on or after that date and to each former  
13 member who retired before that date and his or her beneficiaries a supplemental  
14 pension benefit, equal to the amount by which the benefit that would have been  
15 payable under the retirement system, without regard to any provision therein  
16 incorporating the limitation on benefits imposed by Section 415 of the Internal  
17 Revenue Code, exceeds the benefit actually payable, taking into account the  
18 limitation imposed on the retirement system by Section 415 of the code. These  
19 supplemental pension benefits shall be computed and payable under the same terms  
20 and conditions and to the same person as the benefits payable to, or on account of,  
21 an eligible member under the retirement system.

22 (5) Benefits payable under this plan shall not be subject to the dollar limit applicable to  
23 eligible deferred compensation plans under Section 457 of the Internal Revenue  
24 Code, nor to the "substantial risk or forfeiture" rules of Section 457(f) of the code  
25 applicable to ineligible deferred compensation plans. In addition, benefits payable  
26 under this plan shall not be taken into account in determining whether any other  
27 plan of the employer is an eligible deferred compensation plan under Section 457 of

1 the code.

2 (6) *For each pay period a participating employee contributes as provided by*  
 3 *subsection (3) of this section, an employer described by subsection (4) of Section*  
 4 *3 of this Act may contribute either a percentage of the member's creditable*  
 5 *compensation or a percentage of the dollar amount voluntarily contributed by the*  
 6 *employee.* Funding of benefits payable under this plan shall be provided by the  
 7 state, as employer, and shall be segregated from funds that are maintained by the  
 8 retirement system for payment of the regular benefits provided by the retirement  
 9 system. The employer may establish a grantor trust for payment of benefits provided  
 10 under this plan, with the employer treated as "grantor" thereof for purposes of  
 11 Section 677 of the Internal Revenue Code. The rights of any person to receive  
 12 benefits under this plan are limited to those of a general creditor of the employer.

13 (7) *Employee and employer contributions paid in accordance with this section shall*  
 14 *be transmitted to the system by the employer for deposit in the school employee*  
 15 *annuity fund or the supplemental retirement benefit fund, as applicable under*  
 16 *Section 4 of this Act, as soon as administratively possible, but not later than thirty*  
 17 *(30) days following the close of the payroll period.*

18 (8) *Notwithstanding the provisions of this section, a person who retires and begins*  
 19 *receiving a monthly benefit from the system shall not be eligible to receive any*  
 20 *employer contribution paid on their behalf under the provisions of this section.*

21 ➔Section 9. KRS 161.620 is amended to read as follows:

22 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a  
 23 member retiring for service shall be calculated as follows:

24 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise  
 25 provided by this section, the annual allowance for each year of service shall be  
 26 two percent (2%) of the final average salary for service performed prior to  
 27 July 1, 1983, and two and one-half percent (2.5%) of the final average salary

1 for service performed after July 1, 1983, for all **nonuniversity** members~~[not~~  
2 ~~employed by a state college or university]~~. The annual retirement allowance  
3 for each year of service performed by members of the Teachers' Retirement  
4 System who are **university** members~~[under the provisions of KRS~~  
5 ~~161.220(4)(b) or (n)]~~ shall be two percent (2%) of the final average salary.  
6 Actuarial discounts due to age or service credit at retirement may be applied  
7 as provided in this section;

8 (b) For individuals who become **nonuniversity** members of the~~[Kentucky]~~  
9 Teachers' Retirement System on or after July 1, 2002, and before July 1,  
10 2008,~~[except those persons who become members under KRS 161.220(4)(b)~~  
11 ~~or (n), and]~~ who upon retirement have earned less than ten (10) full years of  
12 service credit, the retirement allowance shall be two percent (2%) of the  
13 member's final average salary for each year of service. For individuals who  
14 become **nonuniversity** members of the~~[Kentucky]~~ Teachers' Retirement  
15 System on or after July 1, 2002, and before July 1, 2008,~~[except those~~  
16 ~~persons who become members under KRS 161.220(4)(b) or (n),]~~ and who  
17 upon retirement have earned at least ten (10) full years of service credit, the  
18 annual allowance for each year of service shall be two and one-half percent  
19 (2.5%) of the member's final average salary;

20 (c) The board of trustees may approve for **nonuniversity** members who initially  
21 retire on or after July 1, 2004, and who become members before July 1, 2008,~~[~~  
22 ~~except those persons who are members under KRS 161.220(4)(b) or (n),]~~ a  
23 retirement allowance of three percent (3%) of the member's final average  
24 salary for each year of service credit earned in excess of thirty (30) years  
25 **earned prior to July 1, 2024**. This three percent (3%) factor shall be in lieu of  
26 the two and one-half percent (2.5%) factor provided for in paragraph (b) of  
27 this subsection for every year or fraction of a year of service in excess of thirty

1 (30) years earned prior to July 1, 2024. Upon approval of this three percent  
 2 (3%) retirement factor, the board of trustees may establish conditions of  
 3 eligibility regarding the type of service credit that will qualify for meeting the  
 4 requirements of this subsection, except that the three percent (3%) factor  
 5 shall not apply to any year or fraction of a year of service in excess of thirty  
 6 (30) years occurring on or after July 1, 2024. This subsection is optional  
 7 with the board of trustees and shall not be subject to KRS 161.714;

8 (d) For individuals who become nonuniversity members of the ~~the Kentucky~~  
 9 Teachers' Retirement System on or after July 1, 2008, ~~except those persons~~  
 10 ~~who become members under KRS 161.220(4)(b) or (n),~~ the retirement  
 11 allowance shall be:

- 12 1. a. One and seven-tenths percent (1.7%) of the member's final average  
 13 salary for each year of service if the member has earned ten (10) or  
 14 less years of service at retirement;
- 15 b. Two percent (2%) of the member's final average salary for each  
 16 year of service if the member has earned greater than ten (10) but  
 17 no more than twenty (20) years of service at retirement;
- 18 c. Two and three-tenths percent (2.3%) of the member's final average  
 19 salary for each year of service if the member has earned greater  
 20 than twenty (20) but no more than twenty-six (26) years of service  
 21 at retirement; or
- 22 d. Two and one-half percent (2.5%) of the member's final average  
 23 salary for each year of service if the member has earned greater  
 24 than twenty-six (26) but no more than thirty (30) years of service at  
 25 retirement; and
- 26 2. Three percent (3%) of the member's final average salary for each year of  
 27 service that occurs prior to July 1, 2024, and is earned in excess of

1 thirty (30) years of service at retirement subject to the same terms and  
2 conditions as set forth in paragraph (c) of this subsection;

3 (e) For individuals who become ***university*** members of the  ~~Kentucky~~ Teachers'  
4 Retirement System on or after July 1, 2008, ~~who are members under KRS~~  
5 ~~161.220(4)(b) or (n),~~ the retirement allowance shall be:

6 1. One and one-half percent (1.5%) of the member's final average salary for  
7 each year of service if the member has earned ten (10) or less years of  
8 service at retirement;

9 2. One and seven-tenths percent (1.7%) of the member's final average  
10 salary for each year of service if the member has earned greater than ten  
11 (10) but no more than twenty (20) years of service at retirement;

12 3. One and eighty-five hundredths percent (1.85%) of the member's final  
13 average salary for each year of service if the member has earned greater  
14 than twenty (20) but less than twenty-seven (27) years of service at  
15 retirement; or

16 4. Two percent (2%) of the member's final average salary for each year of  
17 service if the member has earned twenty-seven (27) or more years of  
18 service at retirement; and

19 (f) The retirement allowance of a member at retirement, as measured on a life  
20 annuity, shall not exceed the member's last yearly salary or the member's final  
21 average salary, whichever is the greater amount. For purposes of this section,  
22 "yearly salary" means the compensation earned by a member during the most  
23 recent period of contributing service, either consecutive or nonconsecutive,  
24 preceding the member's effective retirement date and shall be subject to the  
25 provisions of KRS 161.220(9) and (10)

26 **(g) Effective July 1, 2018, for individuals who become members on or after**  
27 **July 1, 2018, the board shall reduce the percentage of final average salary**

1           used as a retirement factor under paragraph (d) of this subsection for future  
 2           years of service subject to the requirements and restrictions of Section 1 of  
 3           this Act.

4       (2) (a) Effective July 1, ~~2018~~~~[2002]~~, and annually on July 1 thereafter, and except as  
 5           provided by paragraph (b) of this subsection, the retirement allowance of  
 6           each annuitant~~[retired member]~~ and of each beneficiary of a retirement option  
 7           shall be increased in the amount of one and one-half percent (1.5%), provided  
 8           the annuitant~~[retired member]~~ had been retired for at least the full twelve (12)  
 9           months immediately preceding the date that the increase is effective.~~[In the~~  
 10          ~~event that the retired member had been retired for less than the full twelve~~  
 11          ~~(12) months immediately preceding the date that the increase is effective, then~~  
 12          ~~the increase shall be reduced on a pro rata basis by each month that the retired~~  
 13          ~~member had not been retired for the full twelve (12) months immediately~~  
 14          ~~preceding the effective date of the increase.]~~

15       (b) Effective July 1, 2018, for individuals who become members on or after  
 16       July 1, 2018, the board shall reduce or suspend the annual increase in  
 17       retirement allowances provided under paragraph (a) of this subsection  
 18       subject to the requirements and restrictions of Section 1 of this Act.

19       (3) Any member qualifying for retirement under a life annuity with refundable balance  
 20       shall be entitled to receive an annual allowance amounting to not less than four  
 21       hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty  
 22       dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the  
 23       member. These minimums shall apply to the retired members receiving annuity  
 24       payments and to those members retiring on or subsequent to the effective dates  
 25       listed in this subsection, except the following:

26       (a) Individuals who become members of the Kentucky Teachers' Retirement  
 27       System on or after July 1, 2008; or

1 (b) Members whose retirement allowance payment is reduced below the  
2 minimum allowance as a result of its division in a qualified domestic relations  
3 order or any other provision permitted under KRS 161.700.

4 (4) The minimum retirement allowance provided in this section shall apply in the case  
5 of members retired or retiring under an option other than a life annuity with  
6 refundable balance in the same proportion to the benefits of the member and his  
7 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time  
8 of the member's retirement.

9 (5) Effective July 1, 2008, the monthly allowance of each retired member and each  
10 recipient of a retirement option of the retired member may be increased in an  
11 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in  
12 effect the previous month, provided the retired member had been retired for at least  
13 the full twelve (12) months immediately preceding the date that the increase is  
14 effective. In the event that the retired member had been retired for less than the full  
15 twelve (12) months immediately preceding the date that the increase is effective,  
16 then the increase shall be reduced on a pro rata basis by each month that the retired  
17 member had not been retired for the full twelve (12) months immediately preceding  
18 the effective date of the increase. The level of increase provided for in this  
19 subsection shall be determined by the funding provided in the 2008-2010 biennium  
20 budget appropriation.

21 (6) Effective July 1, 2009, the monthly allowance of each retired member and each  
22 recipient of a retirement option of the retired member may be increased in an  
23 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance  
24 in effect the previous month, provided the retired member had been retired for at  
25 least the full twelve (12) months immediately preceding the date that the increase is  
26 effective. In the event that the retired member had been retired for less than the full  
27 twelve (12) months immediately preceding the date that the increase is effective,



1       then the increase shall be reduced on a pro rata basis by each month that the retired  
2       member had not been retired for the full twelve (12) months immediately preceding  
3       the effective date of the increase. The level of increase provided for in this  
4       subsection shall be determined by the funding provided in the 2008-2010 biennium  
5       budget appropriation.

6       (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be  
7       payable for the benefit of an adult child of a member retired for service when the  
8       child's mental or physical condition is sufficient to cause dependency on the  
9       member at the time of retirement. Eligibility for this payment shall continue for the  
10      life of the child or until the time the mental or physical condition creating the  
11      dependency no longer exists or the child marries. Benefits under this subsection  
12      shall apply to legally adopted survivors provided the proceedings for the adoption  
13      were initiated at least one (1) year prior to the death of the member. The board of  
14      trustees shall be the sole judge of eligibility or dependency and may require formal  
15      application or information relating thereto.

16      (8) Members of the Teachers' Retirement System shall be subject to the annuity income  
17      limitations imposed by Section 415 of the Internal Revenue Service Code.

18      (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the  
19      Internal Revenue Code shall not be used in determining a member's retirement  
20      annuity. The limitation on compensation for eligible members shall not be less than  
21      the amount which was allowed to be taken into account by the retirement system in  
22      effect on July 1, 1993. For this purpose, an eligible member is an individual who  
23      was a member of the retirement system before the first plan year beginning after  
24      December 31, 1995.

25      ➔Section 10. KRS 161.623 is amended to read as follows:

26      (1) Effective July 1, 1982, and thereafter, a district board of education or other  
27      employer of members of the Teachers' Retirement System may compensate, at the

- 1 time of retirement for service, an active contributing member for unused sick-leave  
2 days in accordance with this section.
- 3 (2) Upon the member's application for service retirement, the employer shall certify the  
4 retiring member's unused accumulated sick-leave balance as of June 30, 2018, to  
5 the board of trustees of the Kentucky Teachers' Retirement System. The member's  
6 sick-leave balance not to exceed the amount accrued as of June 30, 2018,  
7 expressed in days, shall be divided by one hundred eighty-five (185) days to  
8 determine the amount of service credit that may be considered for addition to the  
9 member's retirement account for the purpose of determining the retirement  
10 allowance under KRS 161.620. Notwithstanding any statute to the contrary, sick-  
11 leave credit that is accredited under this section or by one (1) of the other state-  
12 administered retirement systems shall not be used for the purpose of determining  
13 whether the member is eligible to receive a retirement allowance from the Kentucky  
14 Teachers' Retirement System.
- 15 (3) The board shall compute the cost to the retirement system of the sick-leave credit  
16 for each retiring member and shall bill the last employer of the retiring member for  
17 such cost. The employer shall pay the cost of such service credit to the retirement  
18 system within fifteen (15) days after receiving notification of the cost from the  
19 board.
- 20 (4) Retiring members who receive service credit under this section shall not be eligible  
21 to receive compensation for accrued sick leave under KRS 161.155(10) or any other  
22 statutory provision.
- 23 (5) Employer participation is optional and the employer may opt to purchase less  
24 service credit than the member is eligible to receive provided the same percentage  
25 of reduction is made applicable to all retiring members of the employer during a  
26 school fiscal year.
- 27 (6) The board of trustees shall formulate and adopt necessary rules and regulations for

1 the administration of the foregoing provisions.

2 (7) Payments to the retirement system for service credit obtained under this section or  
3 for compensation credit obtained under KRS 161.155(10) shall be based on the full  
4 actuarial cost as defined in KRS 161.220(22).

5 (8) For an individual who becomes a member on or after July 1, 2008, the maximum  
6 amount of unused accumulated sick leave that may be considered for addition to the  
7 member's retirement account for purposes of determining the retirement allowance  
8 under KRS 161.620 shall not exceed the member's sick leave balance not to  
9 exceed the days accrued as of June 30, 2018~~[three hundred (300) days]~~.

10 ➔SECTION 11. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
11 TO READ AS FOLLOWS:

12 (1) Effective July 1, 2018, the administration of the County Employees Retirement  
13 System shall be transferred from the Kentucky Retirement Systems board of  
14 trustees to the County Employees Retirement System board of trustees.

15 (2) Notwithstanding any other provision of statute to the contrary, the board of  
16 trustees of the County Employees Retirement System shall have the authority to:

17 (a) Contract for a period not to exceed four (4) years with the Kentucky  
18 Retirement Systems for the administration of benefit services, financial  
19 services, legal services, investment services, information technology  
20 services, and any other administrative services as needed and as determined  
21 by the board of trustees of the County Employees Retirement System. The  
22 Kentucky Retirement Systems board of trustees or staff shall have no  
23 authority to deny, limit, or withhold any administrative services to the  
24 County Employees Retirement System and shall work cooperatively with the  
25 County Employees Retirement System board of trustees or staff to  
26 effectively transfer administrative responsibility of the County Employees  
27 Retirement System. The cost to the County Employees Retirement System

1           for contracting administrative services as authorized by this subsection shall  
 2           not exceed the actual costs for providing the services and shall be paid  
 3           directly from the County Employees Retirement System pension fund;

4           **(b) Utilize any data or computer software maintained or developed for the**  
 5           **Kentucky Retirement Systems to effectuate the separation of the County**  
 6           **Employees Retirement System from the Kentucky Retirement Systems; and**

7           **(c) Utilize any building or facilities of the Kentucky Retirement Systems for**  
 8           **board meetings, committee meetings, or as needed by the County Employees**  
 9           **Retirement System board of trustees or staff until July 1, 2019.**

10          **(3) The board of trustees of the County Employees Retirement System and the board**  
 11          **of trustees of the Kentucky Retirement Systems shall jointly retain the services of**  
 12          **a consultant to determine a method to equitably divide any assets held jointly**  
 13          **between the County Employees Retirement System, the Kentucky Employees**  
 14          **Retirement System, and the State Police Retirement System as of June 30, 2018.**  
 15          **The respective boards shall rely upon the consultant's recommendations to**  
 16          **ensure each system receives an equitable distribution of jointly owned assets.**

17          ➔Section 12. KRS 78.510 is amended to read as follows:

18          As used in KRS 78.510 to 78.852, unless the context otherwise requires:

19          (1) "System" means the County Employees Retirement System;

20          (2) "Board" means the board of trustees of the system as provided in **Section 56 of this**  
 21          **Act**~~[KRS 78.780];~~

22          (3) "County" means any county, or nonprofit organization created and governed by a  
 23          county, counties, or elected county officers, sheriff and his employees, county clerk  
 24          and his employees, circuit clerk and his deputies, former circuit clerks or former  
 25          circuit clerk deputies, or political subdivision or instrumentality, including school  
 26          boards, **cities**, charter county **governments**~~[government]~~,~~[—or]~~ urban-county  
 27          **governments, consolidated local governments, or unified local**

- 1        ~~**governments**~~[government] participating in the system by order appropriate to its  
2 governmental structure, as provided in KRS 78.530, and if the board is willing to  
3 accept the agency, organization, or corporation, the board being hereby granted the  
4 authority to determine the eligibility of the agency to participate;
- 5 (4) "School board" means any board of education participating in the system by order  
6 appropriate to its governmental structure, as provided in KRS 78.530, and if the  
7 board is willing to accept the agency or corporation, the board being hereby granted  
8 the authority to determine the eligibility of the agency to participate;
- 9 (5) "Examiner" means the medical examiners as provided in Section 40 of this  
10 Act[KRS 61.665];
- 11 (6) "Employee" means every regular full-time appointed or elective officer or employee  
12 of a participating county and the coroner of a participating county, whether or not he  
13 qualifies as a regular full-time officer. The term shall not include persons engaged  
14 as independent contractors, seasonal, emergency, temporary, and part-time workers.  
15 In case of any doubt, the board shall determine if a person is an employee within the  
16 meaning of KRS 78.510 to 78.852;
- 17 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
18 officials of a county, or any authority of the county having the power to appoint or  
19 elect an employee to office or employment in the county;
- 20 (8) "Member" means any employee who is included in the membership of the system or  
21 any former employee whose membership has ~~**ceased**~~[not been terminated] under  
22 Section 13 of this Act[KRS 61.535];
- 23 (9) "Service" means the total of current service and prior service as defined in this  
24 section;
- 25 (10) "Current service" means the number of years and months of employment as an  
26 employee, on and after July 1, 1958, for which creditable compensation is paid and  
27 employee contributions deducted, except as otherwise provided;

- 1 (11) "Prior service" means the number of years and completed months, expressed as a  
2 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
3 creditable compensation was paid. An employee shall be credited with one (1)  
4 month of prior service only in those months he received compensation for at least  
5 one hundred (100) hours of work. Twelve (12) months of current service in the  
6 system shall be required to validate prior service;
- 7 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
8 compensation of a member and credited to his individual account in the members'  
9 account, including employee contributions picked up after August 1, 1982, pursuant  
10 to KRS 78.610(4), together with interest credited on the amounts, and any other  
11 amounts the member shall have contributed thereto, including interest credited  
12 thereon. For members who begin participating on or after September 1, 2008,  
13 "accumulated contributions" shall not include employee contributions that are  
14 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
15 funds established in KRS ~~[16.510, 61.515, and ]~~78.520, as prescribed by subsection  
16 (3)(b) of Section 50 of this Act~~[KRS 61.702(2)(b)]~~;
- 17 (13) "Creditable compensation":
- 18 (a) Means all salary, wages, and fees, including payments for compensatory time,  
19 except as limited by paragraph (c) of this subsection, paid to the employee as  
20 a result of services performed for the employer or for time during which the  
21 member is on paid leave, which are includable on the member's federal form  
22 W-2 wage and tax statement under the heading "wages, tips, other  
23 compensation", including employee contributions picked up after August 1,  
24 1982, pursuant to KRS 78.610(4). The creditable compensation of fee  
25 officers who receive salary, fees, maintenance, or other prerequisites as a  
26 result of their official duties is the gross amount received decreased by the  
27 cost of the salary paid deputies and clerks and the cost of office supplies

1           *and other official expenses;*

2           (b) Includes:

- 3           1. Lump-sum bonuses, severance pay, or employer-provided payments for  
4           purchase of service credit, which shall be averaged over the employee's  
5           service with the system in which it is recorded if it is equal to or greater  
6           than one thousand dollars (\$1,000);
- 7           2. Cases where compensation includes maintenance and other perquisites,  
8           but the board shall fix the value of that part of the compensation not paid  
9           in money;
- 10          3. Lump-sum payments for creditable compensation paid as a result of an  
11          order of a court of competent jurisdiction, the Personnel Board, or the  
12          Commission on Human Rights, or for any creditable compensation paid  
13          in anticipation of settlement of an action before a court of competent  
14          jurisdiction, the Personnel Board, or the Commission on Human Rights,  
15          including notices of violations of state or federal wage and hour statutes  
16          or violations of state or federal discrimination statutes, which shall be  
17          credited to the fiscal year during which the wages were earned or should  
18          have been paid by the employer. This subparagraph shall also include  
19          lump-sum payments for reinstated wages pursuant to KRS 61.569,  
20          which shall be credited to the period during which the wages were  
21          earned or should have been paid by the employer;
- 22          4. Amounts which are not includable in the member's gross income by  
23          virtue of the member having taken a voluntary salary reduction provided  
24          for under applicable provisions of the Internal Revenue Code; and
- 25          5. Elective amounts for qualified transportation fringes paid or made  
26          available on or after January 1, 2001, for calendar years on or after  
27          January 1, 2001, that are not includable in the gross income of the

1 employee by reason of 26 U.S.C. sec. 132(f)(4); and

2 (c) Excludes:

- 3 1. Living allowances, expense reimbursements, lump-sum payments for  
4 accrued vacation leave, sick leave except as provided in KRS 78.616(5),  
5 and other items determined by the board;
- 6 2. For employees who begin participating on or after September 1, 2008,  
7 lump-sum payments for compensatory time;~~and~~
- 8 3. Training incentive payments for city officers paid as set out in KRS  
9 64.5277 to 64.5279; and~~;~~
- 10 4. For employees who begin participating on or after August 1, 2016,  
11 ~~creditable compensation shall exclude~~ nominal fees paid for services  
12 as a volunteer;

13 (14) "Final compensation" means:

- 14 (a) For a member who begins participating before September 1, 2008, who is ~~not~~  
15 ~~employed in a~~ nonhazardous ~~hazardous~~ position, ~~as provided in KRS~~  
16 ~~61.592,~~ the creditable compensation of the member during the five (5) fiscal  
17 years he was paid at the highest average monthly rate divided by the number  
18 of months of service credit during that five (5) year period multiplied by  
19 twelve (12). The five (5) years may be fractional and need not be consecutive.  
20 If the number of months of service credit during the five (5) year period is less  
21 than forty-eight (48), one (1) or more additional fiscal years shall be used;
- 22 (b) For a member who is ~~not~~ employed in a nonhazardous ~~hazardous~~ position,  
23 ~~as provided in KRS 61.592,~~ whose effective retirement date is between  
24 August 1, 2001, and January 1, 2009, and whose total service credit is at least  
25 twenty-seven (27) years and whose age and years of service total at least  
26 seventy-five (75), final compensation means the creditable compensation of  
27 the member during the three (3) fiscal years the member was paid at the



1 highest average monthly rate divided by the number of months of service  
2 credit during that three (3) year period multiplied by twelve (12). The three (3)  
3 years may be fractional and need not be consecutive. If the number of months  
4 of service credit during the three (3) year period is less than twenty-four (24),  
5 one (1) or more additional fiscal years shall be used~~[- Notwithstanding the~~  
6 ~~provision of KRS 61.565, the funding for this paragraph shall be provided~~  
7 ~~from existing funds of the retirement allowance];~~

8 (c) For a member who begins participating before September 1, 2008, who is  
9 employed in a hazardous position, ~~[as provided in KRS 61.592, ]~~the creditable  
10 compensation of the member during the three (3) fiscal years he was paid at  
11 the highest average monthly rate divided by the number of months of service  
12 credit during that three (3) year period multiplied by twelve (12). The three (3)  
13 years may be fractional and need not be consecutive. If the number of months  
14 of service credit during the three (3) year period is less than twenty-four (24),  
15 one (1) or more additional fiscal years, which may contain less than twelve  
16 (12) months of service credit, shall be used;

17 (d) For a member who begins participating on or after September 1, 2008, but  
18 prior to January 1, 2014, who is ~~[not—]~~employed in a  
19 nonhazardous~~[hazardous]~~ position, ~~[as provided in KRS 61.592, ]~~the  
20 creditable compensation of the member during the five (5) complete fiscal  
21 years immediately preceding retirement divided by five (5). Each fiscal year  
22 used to determine final compensation must contain twelve (12) months of  
23 service credit. If the member does not have five (5) complete fiscal years that  
24 each contain twelve (12) months of service credit, then one (1) or more  
25 additional fiscal years, which may contain less than twelve (12) months of  
26 service credit, shall be added until the number of months in the final  
27 compensation calculation is at least sixty (60) months; or

- 1 (e) For a member who begins participating on or after September 1, 2008, but  
2 prior to January 1, 2014, who is employed in a hazardous position, ~~as~~  
3 ~~provided in KRS 61.592,~~ the creditable compensation of the member during  
4 the three (3) complete fiscal years he was paid at the highest average monthly  
5 rate divided by three (3). Each fiscal year used to determine final  
6 compensation must contain twelve (12) months of service credit. If the  
7 member does not have three (3) complete fiscal years that each contain twelve  
8 (12) months of service credit, then one (1) or more additional fiscal years,  
9 which may contain less than twelve (12) months of service credit, shall be  
10 added until the number of months in the final compensation calculation is at  
11 least thirty-six (36) months;
- 12 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
13 calculated during the twelve (12) month period immediately preceding the  
14 member's effective retirement date, and shall include employee contributions picked  
15 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to  
16 the system by the employer and the following equivalents shall be used to convert  
17 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
18 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half  
19 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
20 (12) months, one (1) year;
- 21 (16) "Retirement allowance" means the retirement payments to which a member is  
22 entitled;
- 23 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
24 basis of the actuarial tables adopted by the board. In cases of disability retirement,  
25 the options authorized by Section 34 of this Act ~~[KRS 61.635]~~ shall be computed by  
26 adding ten (10) years to the age of the member, unless the member has chosen the  
27 Social Security adjustment option as provided for in subsection (8) of Section 34 of

1 this Act~~[KRS 61.635(8)]~~, in which case the member's actual age shall be used. For  
2 members who begin participating in the system prior to January 1, 2014, no  
3 disability retirement option shall be less than the same option computed under early  
4 retirement;

5 (18) "Normal retirement date," unless otherwise provided in KRS 78.510 to 78.852,  
6 means:

7 (a) For a member with service in a nonhazardous position, the sixty-fifth  
8 birthday of a member~~[unless otherwise provided in KRS 78.510 to 78.852]~~;

9 (b) For a member with service in a hazardous position who begins participating  
10 before September 1, 2008, the first day of the month following a member's  
11 fifty-fifth birthday; or

12 (c) For a member with service in a hazardous position who begins participating  
13 on or after September 1, 2008, the first day of the month following a  
14 member's sixtieth birthday;

15 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
16 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
17 limitation year used to determine contribution and benefits limits as set out in 26  
18 U.S.C. sec. 415;

19 (20) "Agency reporting official" means the person designated by the participating  
20 employer~~[agency]~~ who shall be responsible for forwarding all employer and  
21 employee contributions and a record of the contributions to the system and for  
22 performing other administrative duties pursuant to the provisions of KRS 78.510 to  
23 78.852;

24 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
25 all positions that average one hundred (100) or more hours per month, determined  
26 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
27 (80) or more hours per month in the case of noncertified employees of school

1 boards, determined by using the number of hours actually worked in a calendar or  
2 school year, unless otherwise specified, except:

- 3 (a) Seasonal positions, which although temporary in duration, are positions which  
4 coincide in duration with a particular season or seasons of the year and that  
5 may recur regularly from year to year, in which case the period of time shall  
6 not exceed nine (9) months, except for employees of school boards, in which  
7 case the period of time shall not exceed six (6) months;
- 8 (b) Emergency positions that are positions that do not exceed thirty (30) working  
9 days and are nonrenewable;
- 10 (c) Temporary positions that are positions of employment with a participating  
11 agency for a period of time not to exceed twelve (12) months and not  
12 renewable;
- 13 (d) Probationary positions which are positions of employment with a participating  
14 employer that do not exceed twelve (12) months and that are used uniformly  
15 by the participating agency on new employees who would otherwise be  
16 eligible for participation in the system. Probationary positions shall not be  
17 renewable by the participating employer for the same employee, unless the  
18 employee has not been employed with the participating employer for a period  
19 of at least twelve (12) months; or
- 20 (e) Part-time positions that are positions that may be permanent in duration, but  
21 that require less than a calendar or fiscal year average of one hundred (100)  
22 hours of work per month, determined by using the number of months actually  
23 worked within a calendar or fiscal year, in the performance of duty, except in  
24 case of noncertified employees of school boards, the school term average shall  
25 be eighty (80) hours of work per month, determined by using the number of  
26 months actually worked in a calendar or school year, in the performance of  
27 duty;

- 1 (22) "Alternate participation plan" means a method of participation in the system as  
 2 provided for by KRS 78.530(3);
- 3 (23) "Retired member" means any former member receiving a retirement allowance or  
 4 any former member who has on file at the retirement office the necessary  
 5 documents for retirement benefits and is no longer contributing to the system;
- 6 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
 7 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
 8 pay. The rate shall be certified by the employer;
- 9 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
 10 member in accordance with Section 29 or 51 of this Act~~[KRS 61.542 or 61.705]~~ to  
 11 receive any available benefits in the event of the member's death. As used in  
 12 Section 50 of this Act~~[KRS 61.702]~~, beneficiary shall not mean an estate, trust, or  
 13 trustee;
- 14 (26) "Recipient" means the retired member, the person or persons designated as  
 15 beneficiary by the member and drawing a retirement allowance as a result of the  
 16 member's death, or a dependent child drawing a retirement allowance. An alternate  
 17 payee of a qualified domestic relations order shall not be considered a recipient,  
 18 except for purposes of Section 48 of this Act~~[KRS 61.623]~~;
- 19 (27) "Person" means a natural person;
- 20 (28) "School term or year" means the twelve (12) months from July 1 through the  
 21 following June 30;
- 22 (29) "Retirement office" means the County Employees Retirement System~~[Kentucky~~  
 23 ~~Retirement Systems]~~ office building in Frankfort;
- 24 (30) "Vested" for purposes of determining eligibility for purchasing service credit  
 25 under Section 20 of this Act means the employee has at least forty-eight (48)  
 26 months of service if age sixty-five (65) or older or at least sixty (60) months of  
 27 service if under the age of sixty-five (65)~~["Delayed contribution payment" means~~

1 ~~an amount paid by an employee for current service obtained under KRS 61.552. The~~  
 2 ~~amount shall be determined using the same formula in KRS 61.5525, except the~~  
 3 ~~determination of the actuarial cost for classified employees of a school board shall~~  
 4 ~~be based on their final compensation, and the payment shall not be picked up by the~~  
 5 ~~employer. A delayed contribution payment shall be deposited to the member's~~  
 6 ~~account and considered as accumulated contributions of the individual member. In~~  
 7 ~~determining payments under this subsection, the formula found in this subsection~~  
 8 ~~shall prevail over the one found in KRS 212.434];~~

9 (31) "Participating" means an employee is currently earning service credit in the system  
 10 as provided in KRS 78.615;

11 (32) "Month" means a calendar month;

12 (33) "Membership date" means the date upon which the member began participating in  
 13 the system as provided in KRS 78.615;

14 (34) "Participant" means a member, as defined by subsection (8) of this section, or a  
 15 retired member, as defined by subsection (23) of this section;

16 (35) "Qualified domestic relations order" means any judgment, decree, or order,  
 17 including approval of a property settlement agreement, that:

18 (a) Is issued by a court or administrative agency; and

19 (b) Relates to the provision of child support, alimony payments, or marital  
 20 property rights to an alternate payee;

21 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
 22 participant, who is designated to be paid retirement benefits in a qualified domestic  
 23 relations order;

24 (37) "Accumulated employer credit" means the employer pay credit deposited to the  
 25 member's account and interest credited on such amounts as provided by Sections 31  
 26 and 33 of this Act~~[KRS 16.583 and 61.597];~~

27 (38) "Accumulated account balance" means:

- 1 (a) For members who began participating in the system prior to January 1, 2014,  
 2 the member's accumulated contributions; or
- 3 (b) For members who began participating in the system on or after January 1,  
 4 2014, in the hybrid cash balance plan as provided by Sections 31 and 33 of  
 5 this Act~~[KRS 16.583 and 61.597]~~, the combined sum of the member's  
 6 accumulated contributions and the member's accumulated employer credit;

7 (39) "Volunteer" means an individual who:

- 8 (a) Freely and without pressure or coercion performs hours of service for an  
 9 employer participating in the system~~[one (1) of the systems administered by~~  
 10 ~~Kentucky Retirement Systems]~~ without receipt of compensation for services  
 11 rendered, except for reimbursement of actual expenses, payment of a nominal  
 12 fee to offset the costs of performing the voluntary services, or both; and
- 13 (b) If a retired member, does not become an employee, leased employee, or  
 14 independent contractor of the employer for which he or she is performing  
 15 volunteer services for a period of at least twenty-four (24) months following  
 16 the retired member's most recent retirement date;~~and]~~

17 (40) "Nominal fee" means compensation earned for services as a volunteer that does not  
 18 exceed five hundred dollars (\$500) per month. Compensation earned for services as  
 19 a volunteer from more than one (1) participating employer during a month shall be  
 20 aggregated to determine whether the compensation exceeds the five hundred dollars  
 21 (\$500) per month maximum provided by this subsection;

22 **(41) "Hazardous position" means a position that meets the requirements of Section**  
 23 **16 of this Act and has been approved by the board as hazardous;**

24 **(42) "Nonhazardous position" means a position that does not meet the requirements**  
 25 **of Section 16 of this Act and has not been approved by the board as a hazardous**  
 26 **position;**

27 **(43) "Level-percentage-of-payroll amortization method" means a method of**

1 determining the annual amortization payment on the unfunded actuarial accrued  
2 liability as expressed as a percentage of payroll over a set period of years. Under  
3 this method, the percentage of payroll shall be projected to remain constant for  
4 all years remaining in the set period and the unfunded actuarially accrued  
5 liability shall be projected to be fully amortized at the conclusion of the set  
6 period;

7 (44) "Increment" means twelve (12) months of service credit which are purchased.  
8 The twelve (12) months need not be consecutive. The final increment may be less  
9 than twelve (12) months;

10 (45) "Last day of paid employment" means the last date employer and employee  
11 contributions are required to be reported in accordance with Section 18 of this  
12 Act to the retirement office in order for the employee to receive current service  
13 credit for the month. Last day of paid employment does not mean a date the  
14 employee receives payment for accrued leave, whether by lump sum or otherwise,  
15 if that date occurs twenty-four (24) or more months after previous contributions;

16 (46) "Objective medical evidence" means reports of examinations or treatments;  
17 medical signs which are anatomical, physiological, or psychological  
18 abnormalities that can be observed; psychiatric signs which are medically  
19 demonstrable phenomena indicating specific abnormalities of behavior, affect,  
20 thought, memory, orientation, or contact with reality; or laboratory findings  
21 which are anatomical, physiological, or psychological phenomena that can be  
22 shown by medically acceptable laboratory diagnostic techniques, including but  
23 not limited to chemical tests, electrocardiograms, electroencephalograms, X-rays,  
24 and psychological tests;

25 (47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which  
26 results in an employee's total incapacity to continue as an employee in a  
27 hazardous position, but the employee is not necessarily deemed to be totally and



1 permanently disabled to engage in other occupations for remuneration or profit;

2 (48) "Act in line of duty" means:

3 (a) For an employee in a nonhazardous position, shall mean a "duty-related  
4 injury" as provided in Section 92 of this Act;

5 (b) For an employee in a hazardous position, an act occurring which was  
6 required in the performance of the principal duties of the position as  
7 defined by the job description;

8 (49) "Dependent child" means a child in the womb and a natural or legally adopted  
9 child of the member who has neither attained age eighteen (18) nor married or  
10 who is an unmarried full-time student who has not attained age twenty-two (22);  
11 and

12 (50) "Normal retirement age" means the age at which the member meets the  
13 requirements for his or her normal retirement date as provided by subsection (18)  
14 of this section.

15 ➔Section 13. KRS 78.535 is amended to read as follows:

16 Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary:

17 (1) For purposes of this section:

18 (a) "Active member" means a member who is participating in the system;

19 (b) "Employer" means the governing body of a county as defined by Section 12  
20 of this Act;

21 (c) "Employer's effective cessation date" means the last day of the system's  
22 plan year in the year in which the employer has elected to cease  
23 participation in the system, provided the employer has met the requirements  
24 of this section and has given the system sufficient notice as provided by  
25 administrative regulations promulgated by the system; and

26 (d) "Inactive member" means a member who is not participating with the  
27 system.

1 (2) Any employer participating in the County Employees Retirement System on July  
2 1, 2015, may:

3 (a) If the employer is a nonstock nonprofit corporation organized under KRS  
4 Chapter 273, voluntarily cease participation in the system subject to the  
5 requirements and restrictions of this section; or

6 (b) Be required to involuntarily cease participation in the system under the  
7 provisions of this section if the board has determined the employer is no  
8 longer qualified to participate in a governmental plan or has failed to  
9 comply with the provisions of KRS 78.510 to 78.852.

10 (3) (a) If an employer desires to voluntarily cease participation in the County  
11 Employees Retirement System as provided by subsection (2)(a) of this  
12 section:

13 1. The employer shall adopt a resolution requesting to cease  
14 participation in the system and shall submit the resolution to the  
15 board for its approval;

16 2. The cessation of participation in the system shall apply to all  
17 employees of the employer;

18 3. The employer shall pay for all administrative costs of an actuarial  
19 study to be completed by the County Employees Retirement System  
20 consulting actuary and for any other administrative costs for  
21 discontinuing participation in the system as determined by the board  
22 and as provided by this section;

23 4. The employer shall provide an alternative retirement program for  
24 employees who will no longer be covered by the system, which may  
25 include a voluntary defined contribution plan; and

26 5. The employer shall pay to the system the full actuarial cost of the  
27 benefits accrued by its current and former employees in the system as

1 determined separately for the pension fund and the insurance fund by  
2 the actuarial study required by subparagraph 3. of this paragraph.  
3 The full actuarial cost shall not include any employee who seeks to  
4 transfer his or her account balance to the alternative retirement  
5 program established pursuant to subparagraph 4. of this paragraph  
6 within sixty (60) days of the employer's effective cessation date. An  
7 employee's election to transfer his or her account balance within sixty  
8 (60) days of the employer's effective cessation date is an irrevocable  
9 waiver of the right to obtain service credits in the system for the time  
10 worked for the employer ceasing participation. The full actuarial cost  
11 may be paid by lump-sum payment or, if approved by the board, in  
12 installment payments to the system. The actuarial cost shall be fixed,  
13 and the employer shall not be subject to any increases or subsequent  
14 adjustments, once the lump sum is paid or the first installment  
15 payment is made. If the employer elects to pay the full actuarial cost in  
16 installment payments, the employer shall, as determined by the board:  
17 a. Pay installment payments over a time period determined by the  
18 board, not to exceed twenty (20) years;  
19 b. Be charged interest over the life of the installment period, at the  
20 actuarially assumed rate of return; and  
21 c. Provide adequate security in any relevant real estate, chattel  
22 paper, deposit accounts, documents, goods covered by  
23 documents, instruments, investment property, letters of credit  
24 rights, and money. In order to ensure security provided is  
25 adequate:  
26 i. A detailed financing statement shall be provided to the  
27 County Employees Retirement System board listing all

1 assets to be used as security and the value certified by a  
2 licensed attorney;

3 ii. Security interest shall be a perfected interest in accordance  
4 with provisions set forth in KRS Chapter 355 and subject to  
5 approval of the board; and

6 iii. The perfected security interest shall attach until the  
7 amount owed is paid in full.

8 (b) If the board determines an employer must involuntarily cease participation  
9 in the system as provided by subsection (2)(b) of this section:

10 1. The cessation of participation in the system shall apply to all  
11 employees of the employer;

12 2. The employer shall pay for all administrative costs of an actuarial  
13 study to be completed by the County Employees Retirement System  
14 consulting actuary and for any other administrative costs for  
15 discontinuing participation in the system as determined by the board  
16 and as provided by this section; and

17 3. The employer shall pay to the system the full actuarial cost of the  
18 benefits accrued by its current and former employees in the system as  
19 determined separately for the pension fund and the insurance fund by  
20 the actuarial study required by subparagraph 2. of this paragraph.  
21 The full actuarial cost may be paid by lump-sum payment, or if  
22 approved by the board, in installment payments to the system. The  
23 actuarial cost shall be fixed, and the employer shall not be subject to  
24 any increases or subsequent adjustments, once the lump sum is paid  
25 or the first installment payment is made. If the employer elects to pay  
26 the full actuarial cost in installment payments, the employer shall, as  
27 determined by the board:

- 1                    a. Pay installment payments over a time period determined by the  
2                    board, not to exceed twenty (20) years;
- 3                    b. Be charged interest over the life of the installment period at the  
4                    actuarially assumed rate of return; and
- 5                    c. Provide adequate security in any relevant real estate, chattel  
6                    paper, deposit accounts, documents, goods covered by  
7                    documents, instruments, investment property, letters of credit  
8                    rights, and money. In order to ensure security provided is  
9                    adequate:
- 10                   i. A detailed financing statement shall be provided to the  
11                   County Employees Retirement System board listing all  
12                   assets to be used as security and the value certified by a  
13                   licensed attorney;
- 14                   ii. Security interest shall be a perfected interest in accordance  
15                   with provisions set forth in KRS Chapter 355 and subject to  
16                   approval of the board; and
- 17                   iii. The perfected security interest shall attach until the  
18                   amount owed is paid in full.
- 19                   (4) Any employee hired on or after the employer's effective cessation date by an  
20                   employer who has ceased participation in the system as provided by this section  
21                   shall not, regardless of his or her membership date in the County Employees  
22                   Retirement System, be eligible to participate in the County Employees Retirement  
23                   System through the employer that ceased participation for the duration of his or  
24                   her employment with that employer.
- 25                   (5) If an employer has ceased participation in the system as provided by this section:
- 26                   (a) The rights of recipients and the vested rights of inactive members accrued  
27                   as of the employer's effective cessation date shall not be impaired or

1 reduced in any manner as a result of the employer ceasing participation in  
2 the system; and

3 (b) Employees of the employer ceasing participation shall accrue benefits  
4 through the employer's effective cessation date but shall not accrue any  
5 additional benefits in the County Employees Retirement System, including  
6 earning years of service credit through the ceased employer, after the  
7 employer's effective cessation date for as long as they remain employed by  
8 the employer. The day after the employer's effective cessation date, each  
9 employee described by this paragraph shall be considered an inactive  
10 member with respect to his or her employment with the employer that  
11 ceased participation and, subject to the provisions and limitations of KRS  
12 78.510 to 78.852, shall:

13 1. Retain his or her accounts with the County Employees Retirement  
14 System and have those accounts credited with interest in accordance  
15 with KRS 78.510 to 78.852;

16 2. Retain his or her vested rights in accordance with paragraph (a) of  
17 this subsection;

18 3. Be eligible to take a refund of his or her accumulated account balance  
19 in accordance with Section 45 of this Act or any other available  
20 distribution if eligible; and

21 4. Except for federal tax purposes, be treated as if his or her employment  
22 terminated as of the employer's effective cessation date, unless  
23 otherwise prohibited by applicable federal tax authority.

24 (6) For purposes of this section, the full actuarial cost shall be determined by the  
25 County Employees Retirement System consulting actuary separately for the  
26 pension fund and the insurance fund using the assumptions and methodology  
27 established by the system as of the employer's effective cessation date. For

1 purposes of determining the full actuarial cost, the assumed rate of return used to  
 2 calculate the cost shall be the lesser of the assumed rate of return utilized in the  
 3 system's most recent actuarial valuation or the yield on a thirty (30) year United  
 4 States treasury bond as of the employer's effective cessation date, but shall in no  
 5 case be lower than the assumed rate of return utilized in the system's most recent  
 6 actuarial valuation minus three and one-half percent (3.5%).

7 (7) The system shall promulgate administrative regulations pursuant to KRS Chapter  
 8 13A to administer this section.

9 (8) Any employer who voluntarily ceases participation, or who is required to  
 10 involuntarily cease participation as provided in this section, shall hold the  
 11 Commonwealth harmless from damages, attorney's fees, and costs from legal  
 12 claims for any cause of action brought by any member or retired member of the  
 13 departing employer.

14 ~~[(1) If a participating county fails to fully comply with the provisions of KRS 78.510 to~~  
 15 ~~78.852, the board may require the county to involuntarily cease participation in the~~  
 16 ~~system as provided by KRS 61.522.]~~

17 ~~(9)~~[(2)] In lieu of cessation of participation of a county which fails to fully comply  
 18 with the provisions of KRS 78.510 to 78.852, the board may file an action in the  
 19 Franklin Circuit Court to collect money owed and to attach so much of the general  
 20 fund of the delinquent county as is necessary to achieve full compliance with the  
 21 provisions of KRS 78.625.

22 (10) The board may:

23 (a) File an action in the Franklin Circuit Court to collect money owed and to  
 24 attach so much of the general fund or adequate security of the delinquent  
 25 employer as is necessary to ensure payment of any installment payments  
 26 owed under this section; and

27 (b) Utilize the provisions of subsection (3)(b) or (4) of Section 23 of this Act to

1                   *ensure employer compliance and payment of any amount payable by an*  
 2                   *employer under the provisions of this section.*

3           ➔Section 14. KRS 78.540 is amended to read as follows:

4    **(1)** Membership in the system shall consist of the following:

5           **(a)**~~**(1)**~~ All persons who become employees of a participating county after the  
 6           date the county first participates in the system, except that mayors and  
 7           members of city legislative bodies may decline prior to their participation in  
 8           the system and city managers or other appointed local government executives  
 9           who participate in a retirement system, other than Social Security, may decline  
 10          prior to their participation in the system;

11          **(b)**~~**(2)**~~—~~**(a)**~~ All persons who are employees of a county on the date the county  
 12          first participates in the system, either in service or on authorized leave from  
 13          service, and who elect within thirty (30) days next following the county's  
 14          participation, or in the case of persons on authorized leave, within thirty (30)  
 15          days of their return to active service, to become members and thereby agree to  
 16          make contributions as provided in KRS 78.520 to 78.852;

17          **(c)**~~**(b)**~~ All persons who are employees of a county who did not elect to  
 18          participate within thirty (30) days of the date the county first participated in  
 19          the system or within thirty (30) days of their return to active service and who  
 20          subsequently elect to participate the first day of a month after the county's date  
 21          of participation;

22          **(d)**~~**(3)**~~ All persons who declined participation *as provided by paragraph (a)*~~in~~  
 23          ~~subsection (1)~~ of this *subsection*~~section~~ and who later elect to participate.  
 24          Persons who elect to participate under this *paragraph*~~subsection~~ may  
 25          purchase service credit for any prior years by paying *the amount calculated*  
 26          *under subsection (10)(a) of Section 20 of this Act*~~a delayed contribution~~  
 27          ~~payment~~, provided the person began participating in the system prior to



1 January 1, 2014. The service shall not be included in the member's total  
 2 service for purposes of determining benefits under **Section 50 of this Act**~~[KRS~~  
 3 ~~61.702]~~; and

4 ~~(e)~~~~(4)~~ All persons electing coverage in the system under KRS 78.530(3)(d).

5 ~~(2)~~~~(5)~~ The provisions of **subsection**~~[subsections]~~ (1)~~(a) to (c)~~ ~~and (2)~~ of this  
 6 section notwithstanding, cities which participate in the CERS and close existing  
 7 local pension systems to new, or all members pursuant to the provisions of KRS  
 8 78.530, 95.520, 95.621, or 95.852 shall not be required to provide membership in  
 9 the County Employees Retirement System to employees in any employee category  
 10 not covered by a city pension system at the date of participation.

11 ~~(3)~~~~(6)~~ Membership in the system shall not include:

12 ~~(a)~~ Persons who are not eligible to participate in the system as provided by  
 13 **Section 13 of this Act**; ~~or [KRS 61.522 or those]~~

14 ~~(b)~~ Employees who are simultaneously participating in another state-administered  
 15 defined benefit plan within Kentucky other than **the County Employees**  
 16 **Retirement System**~~[those administered by the Kentucky Retirement Systems,~~  
 17 ~~except for employees who have ceased to contribute to one (1) of the state-~~  
 18 ~~administered retirement plans as provided in KRS 21.360].~~

19 ~~(4)~~ ~~(a)~~ **The membership of any person in the system shall cease:**

20 **1. Upon withdrawal of his accumulated account balance at or any time**  
 21 **after termination of employment, regardless of length of service;**

22 **2. Upon retirement;**

23 **3. Upon death;**

24 **4. For persons hired prior to August 1, 2000, upon termination of**  
 25 **employment with prejudice, as defined by paragraph (b) of this**  
 26 **subsection; or**

27 **5. For persons hired on or after August 1, 2000, upon conviction of a**

1 felony relating to the person's employment as provided in paragraph  
2 (c) of this subsection.

3 (b) For purposes of KRS 78.510 to 78.852, termination of employment with  
4 prejudice shall mean termination as the result of conviction of the member  
5 in a court of competent jurisdiction of embezzlement or larceny of public  
6 funds or property or malfeasance in office, or the forcing of a member to  
7 make restitution for any funds or property criminally taken by the member  
8 at the time of termination of employment.

9 (c) Notwithstanding any provision of law to the contrary, an employee hired on  
10 or after August 1, 2000, who participates in the system and who is  
11 convicted, in any state or federal court of competent jurisdiction, of a felony  
12 related to his employment shall forfeit rights and benefits earned under the  
13 system, except for the return of his accumulated contributions and interest  
14 credited on those contributions. The payment of retirement benefits ordered  
15 forfeited shall be stayed pending any appeal of the conviction. If the  
16 conviction is reversed on final judgment, no retirement benefit shall be  
17 forfeited. The employer shall notify the system when an employee is  
18 convicted under the provisions of this subsection.

19 (d) When membership ceases, except in the case of retirement, the member  
20 shall thereafter lose all right to any retirement allowance or benefits under  
21 KRS 78.510 to 78.852 arising from service prior to the date of such  
22 cessation of membership.

23 ➔SECTION 15. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
24 TO READ AS FOLLOWS:

25 (1) (a) Upon becoming a member of the County Employees Retirement System, the  
26 employee and employer shall file at the retirement office, in the form and  
27 detail as the board may prescribe, a statement of facts pertaining to the

1 employee and other information the system may require, including but not  
2 limited to a record of military service and previous employment with the  
3 employer.

4 (b) If the records of the employer employing the member during the time the  
5 service was rendered do not substantiate the statement of facts filed by the  
6 member, the member shall be notified of any discrepancy. The member  
7 shall be advised that he has the responsibility of supplying verification of  
8 any unsubstantiated service.

9 (c) At the request of the member, or the beneficiary if the member is deceased,  
10 the system shall allow the member or beneficiary, as applicable, to provide  
11 additional information in regard to the unverified service. After filing the  
12 request, the member or the beneficiary if the member is deceased shall have  
13 a reasonable time but no more than six (6) months to provide the additional  
14 information to substantiate the unverified service.

15 (2) The system shall prepare and make available upon request to all members, retired  
16 members, and beneficiaries, a summary plan description, written in a manner  
17 that can be understood by average persons, and sufficiently accurate and  
18 comprehensive to reasonably apprise them of their rights and obligations under  
19 the provisions of KRS 78.510 to 78.852. The summary plan shall include:

20 (a) The name of the system, the name and address of the executive director, and  
21 the name, address, and title of each member of the board of trustees;

22 (b) The name and address of the person designated for the service of legal  
23 process;

24 (c) The system's requirements for participation and benefits;

25 (d) A description of retirement benefit calculations in the event of retirement,  
26 disablement, and death;

27 (e) A description of retiree health benefits;

1 (f) A reasonable list of circumstances which would result in disqualification,  
 2 ineligibility, or denial or loss of benefits;

3 (g) The sources of financing retirement and retiree health benefits, and  
 4 statutory requirements for funding;

5 (h) A statement after each actuarial valuation as to whether funding  
 6 requirements are being met; and

7 (i) The procedures to be followed in presenting claims for benefits from the  
 8 system, and the remedies available under the system for the redress of  
 9 claims which are denied in whole or in part.

10 The system may publish the summary plan description in the form of a paper or  
 11 electronic comprehensive booklet, or in the form of paper or electronic periodic  
 12 newsletters which shall incorporate all the information required in the summary  
 13 plan description within a period of two (2) years. Any changes in statutory  
 14 requirements or administrative practices which alter the provisions of the plan as  
 15 described in the summary plan description shall be summarized and published as  
 16 required in this subsection.

17 ➔SECTION 16. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 18 TO READ AS FOLLOWS:

19 (1) (a) "Hazardous position" for employees who began participating in the County  
 20 Employees Retirement System prior to September 1, 2008, means any  
 21 position whose principal duties involve active law enforcement, including  
 22 the positions of probation and parole officer, active fire suppression or  
 23 prevention, correctional officers with duties that routinely and regularly  
 24 require face-to-face contact with inmates, or other positions, including but  
 25 not limited to paramedics and emergency medical technicians, with duties  
 26 that require frequent exposure to a high degree of danger or peril and also  
 27 require a high degree of physical conditioning; and

1        (b) "Hazardous position" for employees who begin participating in the County  
2        Employees Retirement System on or after September 1, 2008, means police  
3        officers and firefighters as defined in KRS 61.315(1), paramedics,  
4        correctional officers with duties that routinely and regularly require face-to-  
5        face contact with inmates, and emergency medical technicians, if:

6        1. The employee's duties require frequent exposure to a high degree of  
7        danger or peril and a high degree of physical conditioning; and

8        2. The employee's duties are not primarily clerical or administrative.

9        (2) (a) Each employer may request of the board hazardous coverage for those  
10       positions as defined in subsection (1) of this section. Upon request, each  
11       employer shall certify to the system, in the manner prescribed by the board,  
12       the names of all employees working in a hazardous position as defined in  
13       subsection (1) of this section for which coverage is requested. The  
14       certification of the employer shall bear the approval of the agent or agency  
15       responsible for the budget of the county indicating that the required  
16       employer contributions have been provided for in the budget of the  
17       employing county. The system shall determine whether the employees whose  
18       names have been certified by the employer are working in positions meeting  
19       the definition of a hazardous position as provided by subsection (1) of this  
20       section.

21       (b) Each employer shall also certify, under penalty of perjury in accordance  
22       with KRS Chapter 523, that each employee's actual job duties are  
23       accurately reflected in the job description provided to the system. The  
24       system shall determine whether the employees whose names have been  
25       certified by the employer are working in positions meeting the definition of  
26       a hazardous position as defined in subsection (1) of this section.

27       (c) The board shall have the authority to remove any employee from hazardous

1           coverage if the board determines the employee is not working in a  
2           hazardous position or if the employee is classified in a hazardous position  
3           but has individual job duties that do not meet the definition of a hazardous  
4           position or are not accurately reflected in the job descriptions filed by the  
5           employer with the system.

6           (3) (a) If the employer participated in the system prior to electing hazardous  
7           coverage, the employer may pay to the system the cost of converting the  
8           nonhazardous service to hazardous service from the date of participation to  
9           the date the payment is made, or the employer may establish a payment  
10           schedule for payment of the cost of the hazardous service above that which  
11           would be funded within the existing employer contribution rate. The  
12           employer may extend the payment schedule to a maximum of thirty (30)  
13           years. Payments made by the employer under this subsection shall be  
14           deposited to the retirement allowance account of the proper retirement fund  
15           and shall not be considered accumulated contributions of the individual  
16           members.

17           (b) If the employer elects not to make the additional payment as provided by  
18           paragraph (a) of this subsection, the employee may make the lump-sum  
19           payment in his own behalf or may pay by increments. Payments made by  
20           the employee under this subsection shall not be picked up, as described in  
21           subsection (4) of Section 17 of this Act, by the employer.

22           (c) If neither the employer nor employee makes the payment, the service prior  
23           to hazardous position coverage shall remain nonhazardous.

24           (d) The provisions of this subsection shall not apply to members who begin  
25           participating in the system on or after January 1, 2014.

26           (4) Any person employed in a hazardous position shall be required to undergo a  
27           thorough medical examination by a licensed physician, and a copy of the medical

1 report of the physician shall be retained on file by the person's employer and  
 2 made available to the system upon request.

3 (5) If doubt exists regarding the benefits payable to a hazardous position employee  
 4 under this section, the board shall determine the benefits payable under KRS  
 5 78.510 to 78.852.

6 ➔Section 17. KRS 78.610 is amended to read as follows:

7 (1) Each employee shall ~~commencing on August 1, 1990,~~ contribute, for each pay  
 8 period for which he receives compensation:~~;~~

9 (a) 1. Five percent (5%) of his creditable compensation *if the employee is*  
 10 *participating in a nonhazardous position; or*

11 2. *Eight percent (8%) of his creditable compensation if the employee is*  
 12 *participating in a hazardous position; and*

13 (b) *The amount specified by subsection (3)(b) of Section 50 of this Act for*  
 14 *employees who begin participating on or after September 1, 2008.*

15 (2) The agency reporting official of a participating county shall cause to be deducted  
 16 from the "creditable compensation" of each employee for each and every payroll  
 17 period subsequent to the date the county participated in the system the contribution  
 18 payable by the member as provided in KRS 78.510 to 78.852. The agency reporting  
 19 official shall promptly pay the deducted employee contributions to the system in  
 20 accordance with KRS 78.625.

21 (3) The deductions provided for in subsection (2) of this section shall be made  
 22 notwithstanding that the minimum compensation provided by law for any employee  
 23 shall be reduced thereby. Every employee shall be deemed to consent and agree to  
 24 the deductions made as provided in subsection (2) of this section; and payment of  
 25 salary or compensation less the deductions shall be a full and complete discharge of  
 26 all claims for services rendered by the person during the period covered by the  
 27 payment, except as to any benefits provided by KRS 78.510 to 78.852.

1 (4) Each employer shall, solely for the purpose of compliance with Section 414(h) of  
 2 the United States Internal Revenue Code, pick up the employee contributions  
 3 required by this section for all compensation earned after August 1, 1982, and the  
 4 contributions picked up shall be treated as employer contributions in determining  
 5 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
 6 These contributions shall not be included as gross income of the employee until the  
 7 contributions are distributed or made available to the employee. The picked-up  
 8 employee contribution shall satisfy all obligations to the retirement system satisfied  
 9 prior to August 1, 1982, by the employee contribution, and the picked-up employee  
 10 contribution shall be in lieu of an employee contribution. Each employer shall pay  
 11 these picked-up employee contributions from the same source of funds which is  
 12 used to pay earnings to the employee. The employee shall have no option to receive  
 13 the contributed amounts directly instead of having them paid by the employer to the  
 14 system. Employee contributions picked up after August 1, 1982, shall be treated for  
 15 all purposes of KRS 78.510 to 78.852 in the same manner and to the same extent as  
 16 employee contributions made prior to August 1, 1982.

17 (5) The provisions of this section shall not apply to individuals who are not eligible for  
 18 membership as provided by Section 13 of this Act~~[KRS 61.522]~~.

19 ➔Section 18. KRS 78.615 is amended to read as follows:

20 (1) Employee contributions shall be deducted each payroll period from the creditable  
 21 compensation of each employee of an employer~~[agency]~~ participating in the system  
 22 while he is classified as regular full-time as defined in Section 12 of this Act~~[KRS~~  
 23 ~~78.510]~~ unless the person did not elect to become a member as provided by  
 24 subsection (1)(b) and (c) of Section 14 of this Act~~[KRS 78.540(2)]~~ or is not  
 25 eligible to participate in the system as provided by Section 13 of this Act~~[KRS~~  
 26 ~~61.522]~~. After August 1, 1982, employee contributions shall be picked up by the  
 27 employer pursuant to KRS 78.610(4).



1 (a) For employees who are not employed by a school board, service credit shall  
2 be allowed for each month contributions are deducted or picked up during a  
3 fiscal or calendar year, if the employee receives creditable compensation for  
4 an average of one hundred (100) hours or more of work per month based on  
5 the actual hours worked in a calendar or fiscal year. If the average number of  
6 hours of work is less than one hundred (100) hours per month, the employee  
7 shall be allowed credit only for those months he receives creditable  
8 compensation for one hundred (100) hours of work.

9 (b) For noncertified employees of school boards, for service prior to July 1, 2000,  
10 service credit shall be allowed for each month contributions are deducted or  
11 picked up under the employee's employment contract during a school year  
12 determined by dividing the actual number of contracted calendar days worked  
13 by twenty (20) and rounded to the nearest whole month if the employee  
14 receives creditable compensation for an average of eighty (80) or more hours  
15 of work per month based on the employee's employment contract. The school  
16 board shall certify the number of calendar days worked, the rate of pay, and  
17 the hours in a work day for each employee monthly or annually. The employer  
18 shall file at the retirement office the final monthly report or the annual report  
19 for a fiscal year no later than twenty (20) days following the completion of the  
20 fiscal year. The retirement system shall impose a penalty on the employer of  
21 one thousand dollars (\$1,000) if the information is not submitted by the date  
22 required with an additional two hundred and fifty dollars (\$250) for each  
23 additional thirty (30) day period the information is reported late.

24 1. If the employee works fewer than the number of contracted calendar  
25 days, the employee shall receive service credit determined by dividing  
26 the actual number of contracted calendar days worked by twenty (20)  
27 and rounded to the nearest whole month, provided that the number of

- 1           hours worked during the period averages eighty (80) or more hours.
- 2           2. If the employee works fewer than the number of contracted calendar
- 3           days and the average number of hours worked is less than eighty (80) per
- 4           month, then the employee shall receive service credit for each calendar
- 5           month in which he worked eighty (80) or more hours.
- 6           3. The ~~retirement~~ system shall refund contributions and service credit for
- 7           any period for which the employee is not given credit under this
- 8           subsection.
- 9           (c) For noncertified employees of school boards, for service on and after July 1,
- 10          2000, at the close of each fiscal year, the retirement system shall add service
- 11          credit to the account of each employee who made contributions to his or her
- 12          account during the year. Employees shall be entitled to a full year of service
- 13          credit if their total paid calendar days were not less than one hundred eighty
- 14          (180) calendar days for a regular school or fiscal year. In the event an
- 15          employee is paid for less than one hundred eighty (180) calendar days, the
- 16          employee may purchase credit according to administrative regulations
- 17          promulgated by the system. In no case shall more than one (1) year of service
- 18          be credited for all service performed in one (1) fiscal year. Employees who
- 19          complete their employment contract prior to the close of a fiscal year and elect
- 20          to retire prior to the close of a fiscal year shall have their service credit
- 21          reduced by eight percent (8%) for each calendar month that the retirement
- 22          becomes effective prior to July 1. Employees who are employed and paid for
- 23          less than the number of calendar days required in their normal employment
- 24          year shall be entitled to pro rata service credit for the fractional service. This
- 25          credit shall be based upon the number of calendar days employed and the
- 26          number of calendar days in the employee's annual employment agreement or
- 27          normal employment year. Service credit may not exceed the ratio between the

1 school or fiscal year and the number of months or fraction of a month the  
2 employee is employed during that year.

3 (d) Notwithstanding paragraph (c) of this subsection, a noncertified employee of a  
4 school board who retires between July 1, 2000, and August 1, 2001, may  
5 choose to have service earned between July 1, 2000, and August 1, 2001,  
6 credited as described in paragraph (b) of this subsection, if the employee or  
7 retired member notifies the retirement system within one (1) year of his initial  
8 retirement. The decision once made shall be irrevocable.

9 **(e) The board shall not allow credit for more than one (1) year of service for all**  
10 **service rendered in any period of twelve (12) consecutive months except as**  
11 **provided in Section 19 of this Act.**

12 **(f) If the employee earns creditable compensation in both a hazardous position**  
13 **and a nonhazardous position, the employee's service credit shall be prorated**  
14 **between the employee's hazardous and nonhazardous positions based upon**  
15 **the percentage of the employee's creditable compensation earned in the**  
16 **hazardous or nonhazardous positions.**

17 (2) Employee contributions shall not be deducted from the creditable compensation of  
18 any employee or picked up by the employer while he is seasonal, emergency,  
19 temporary, or part-time. No service credit shall be earned.

20 (3) Contributions shall not be made or picked up by the employer and no service credit  
21 shall be earned by a member while on leave except:

22 (a) A member on military leave shall be entitled to service credit in accordance  
23 with **Section 20 of this Act**~~[KRS 61.555]~~; and

24 (b) A member on **approved** educational leave~~[who meets the criteria established~~  
25 ~~by the state Personnel Cabinet for approved educational leave]~~, who is  
26 receiving seventy-five percent (75%) or more of full salary, shall receive  
27 service credit and shall pay member contributions in accordance with KRS

1           78.610, and his employer shall pay employer contributions~~[or the~~  
 2           ~~contributions shall be picked up]~~ in accordance with **Sections 22 and 50 of**  
 3           **this Act**~~[KRS 61.565].~~ If a tuition agreement is broken by the member, the  
 4           member and employer contributions paid or picked up during the period of  
 5           educational leave shall be refunded.

6       (4) The retirement office, upon detection, shall refund any erroneous employer and  
 7       employee contributions made to the retirement system and any interest credited in  
 8       accordance with **Section 25 of this Act**~~[KRS 78.640].~~

9       ➔Section 19. KRS 78.616 is amended to read as follows:

10      (1) Any **employer**~~[agency]~~ participating in the County Employees Retirement System  
 11      which has formally adopted a sick-leave program that is universally administered to  
 12      its employees may purchase service credit with the retirement system for up to six  
 13      (6) months of unused sick leave for each retiring employee.

14      (2) Participation under this section shall be at the option of each participating employer.  
 15      The election to participate shall be made by the governing authority of the  
 16      participating employer and shall be certified in writing to the system on forms  
 17      prescribed by the board. The certification shall provide for equal treatment of all  
 18      employees participating under this section.

19      (3) (a) Upon the member's notification of retirement as prescribed in **Section 42 of**  
 20      **this Act**~~[KRS 61.590],~~ the employer shall certify the retiring employee's  
 21      unused, accumulated sick-leave balance to the system. The member's sick-  
 22      leave balance, expressed in days, shall be divided by the average number of  
 23      working days per month in county service and rounded to the nearest number  
 24      of whole months. A maximum of six (6) months of the member's sick-leave  
 25      balance, expressed in months, shall be added to his service credit for the  
 26      purpose of determining his annual retirement allowance under KRS 78.510 to  
 27      78.852 and for the purpose of determining whether the member is eligible to

1 receive a retirement allowance under KRS 78.510 to 78.852, except as  
2 provided by paragraph (d) of this subsection. Accumulated sick-leave in  
3 excess of six (6) months shall be added to the member's service credit if the  
4 member or employer pays to the retirement system the value of the additional  
5 service credit based on the formula adopted by the board, subject to the  
6 restrictions provided by paragraph (d) of this subsection.

7 (b) The employer may elect to pay fifty percent (50%) of the cost of the sick leave  
8 in excess of six (6) months on behalf of its employees. The employee shall  
9 pay the remaining fifty percent (50%). The payment by the employer shall not  
10 be deposited to the member's account. Service credit shall not be credited to  
11 the member's account until both the employer's and employee's payments are  
12 received by the retirement system.

13 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf  
14 of its employees, it shall continue to pay the same portion of the cost.

15 (d) For a member who begins participating in the retirement system on or after  
16 September 1, 2008, but prior to January 1, 2014, whose employer has  
17 established a sick-leave program under subsections (1) to (4) and (6) of this  
18 section:

19 1. The member shall receive no more than twelve (12) months of service  
20 credit upon retirement for accumulated unused sick leave accrued while  
21 contributing to the retirement system from which the retirement benefit  
22 is to be paid;

23 2. The service added to the member's service credit shall be used for  
24 purposes of determining the member's annual retirement allowance  
25 under KRS 78.510 to 78.852;

26 3. The service added to the member's service credit shall not be used to  
27 determine whether a member is eligible to receive a retirement

1 allowance under KRS 78.510 to 78.852; and

2 4. The cost of the service provided by this paragraph shall be paid by the  
3 employer.

4 (4) The system shall compute the cost of the sick-leave credit of each retiring employee  
5 and bill each employer with whom the employee accrued sick leave accordingly.  
6 The employer shall remit payment within thirty (30) days from receipt of the bill.

7 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any  
8 agency participating in the County Employees Retirement System which has  
9 formally adopted a sick-leave program that is universally administered to its  
10 employees, or administered to a majority of eligible employees in accordance  
11 with subsection (6) of this section, shall, at the time of termination, or as  
12 provided in KRS 161.155 in the case of school boards, compensate the  
13 employee for unused sick-leave days the employee has accumulated which it  
14 is the uniform policy of the agency to allow.

15 (b) The rate of compensation for each unused sick-leave day shall be based on the  
16 daily salary rate calculated from the employee's current rate of pay. Payment  
17 for unused sick-leave days shall be incorporated into the employee's final  
18 compensation if the employee and employer make the regular employee and  
19 employer contributions, respectively, on the sick-leave payment.

20 (c) The number of sick-leave days for which the employee is compensated shall  
21 be divided by the average number of working days per month in county  
22 service and rounded to the nearest number of whole months. This number of  
23 months shall be added to the employee's total service credit and to the number  
24 of months used to determine creditable compensation, pursuant to KRS  
25 78.510, but no more than sixty (60) months shall be used to determine final  
26 compensation. For an employee who begins participating on or after  
27 September 1, 2008, but prior to January 1, 2014, the number of months added

1 to the employee's total service credit under this paragraph shall not exceed  
 2 twelve (12) months, and the additional service shall not be used to determine  
 3 whether a member is eligible to receive a retirement allowance under KRS  
 4 78.510 to 78.852.

5 (6) Any city of the first class that has two (2) or more sick-leave programs for its  
 6 employees may purchase service credit with the retirement system for up to six (6)  
 7 months of unused sick leave for each retiring employee who participates in the sick-  
 8 leave program administered to a majority of the eligible employees of the city. An  
 9 employee participating in a sick-leave program administered to a minority of the  
 10 eligible employees shall become eligible for the purchase of service credit under  
 11 this subsection when the employee commences participating in the sick-leave  
 12 program that is administered to a majority of the eligible employees of the city.

13 (7) The provisions of this section shall not apply to employees who begin participating  
 14 in the system on or after January 1, 2014, and no service credit shall be provided for  
 15 accumulated sick leave balances of those employees who begin participating in the  
 16 system on or after January 1, 2014.

17 ➔SECTION 20. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 18 TO READ AS FOLLOWS:

19 **(1) Called to Active Duty Military Service. An employee of an employer participating**  
 20 **in the system who is called to active military duty in the Armed Forces of the**  
 21 **United States shall be credited at no cost to the employee with service credit,**  
 22 **creditable compensation, and in the case of employees participating in the hybrid**  
 23 **cash balance plan, employee contributions, employer credits, and interest credits,**  
 24 **for a period of active military duty of up to six (6) years, provided:**

25 **(a) The employee was called to active military duty in the Armed Forces of the**  
 26 **United States:**

27 **1. After he or she began participating in the system and provided the**

1                   employee was on leave of absence from the employer and did not  
2                   withdraw his or her accumulated account balance; or

3                   2. Prior to the date he or she began participating in the system and  
4                   terminated employment with his or her employer;

5                   (b) The employee entered active military service within three (3) months of his  
6                   or her last day of paid employment;

7                   (c) His or her discharge military service was terminated in a manner other  
8                   than as described in 38 U.S.C. sec. 4304; and

9                   (d) He or she returns to work with an employer participating in the system  
10                  within two (2) years after completion of the period of active military duty, or  
11                  upon the subsequent termination of any total disability which existed at the  
12                  expiration of the two (2) years after discharge.

13                  For periods of active military duty that meet the requirements of this subsection,  
14                  the employer shall pay the employer contributions payable under Sections 22 and  
15                  50 of this Act.

16                  (2) (a) Omitted Service. Any person who is entitled to service credit for employment  
17                  which was not reported by the county in accordance with Section 18 of this  
18                  Act may obtain credit for the service subject to the provisions of this  
19                  subsection.

20                  (b) Provided the person pays for the omitted service with within six (6) months  
21                  of notification by the system, the cost of the service shall be equal to the  
22                  employee contributions that would have been paid if the person had been  
23                  correctly reported in accordance with Section 18 of this Act.

24                  (c) Any person entitled to service credit under paragraph (a) of this subsection  
25                  who has not repaid the employee contributions due within six (6) months of  
26                  notification by the system may purchase the credit after the six (6) months  
27                  by paying to the system the employee contributions plus interest at the



1 actuarially assumed rate from the date of initial notification under  
2 paragraph (a) of this subsection.

3 (d) Omitted service purchased under this subsection shall:

4 1. Be considered service credited under subsection (1) of Section 18 of  
5 this Act for purposes of determining eligibility for retirement benefits  
6 under KRS 78.510 to 78.852; and

7 2. Not be credited to the member's account until the employer  
8 contributions due and any interest or penalties on the delinquent  
9 employer contributions for the period of omitted service are received  
10 by the system.

11 (e) Employees who begin participating on or after January 1, 2014, in the  
12 hybrid cash balance plan provided by Sections 31 and 33 of this Act shall,  
13 upon payment of the employee and employer contributions due under this  
14 subsection, have their accumulated account balance increased by the  
15 employee contributions, employer pay credits, and interest credits that  
16 would have been credited to their member's account if the contributions had  
17 been paid on time.

18 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the  
19 state-administered retirement systems who has been refunded his  
20 accumulated account balance under the provisions of Section 45 of this Act,  
21 thereby losing service credit in the system, may regain the credit by paying  
22 to the system the amount or amounts refunded by the system with interest at  
23 a rate determined by the board. Service purchased under this subsection on  
24 or after January 1, 2014, shall not be used to determine the member's  
25 participation date in the system.

26 (b) Recontribution of a refund purchased under this subsection shall not be  
27 used in determining a retirement allowance until the member has accrued

1 at least six (6) months of service credit in a state-administered retirement  
2 system, excluding the service purchased under this subsection. If the  
3 member does not accrue at least six (6) months of service credit in a state-  
4 administered retirement system, excluding service purchased under this  
5 subsection, then the payment plus interest as provided in Section 25 of this  
6 Act shall be refunded upon retirement, death, or written request following  
7 termination of employment. The service requirement shall be waived if the  
8 member dies or becomes disabled as provided for by Section 36, 37, or 92 of  
9 this Act.

10 (4) (a) Summer Months. Any employee participating in one (1) of the state-  
11 administered retirement systems who is or has been employed by a school  
12 board or community action agency participating in the system, who receives  
13 service credit for less than twelve (12) months each year, may purchase the  
14 additional months of service credit needed to total one (1) year of service  
15 credit except the amount purchased for any specific year shall not exceed  
16 three (3) months.

17 (b) The cost of the summer months service credit shall be determined by the  
18 formula established by subsection (10) of this section and may be purchased  
19 by the employee, the employer on behalf of the employee, or the cost may be  
20 paid by both the employer and employee in which case the employer and  
21 employee shall each pay fifty percent (50%) of the cost. Service credit shall  
22 not be credited to the member's account until both the employer's and  
23 employee's payments are received by the system.

24 (c) If the employee has purchased service credit under this subsection based on  
25 months reported by the employer for the fiscal year, and an audit of the  
26 employee's account reduces the number of months of service credit for  
27 which the employee is eligible to no fewer than nine (9) months, the

1           employee shall retain credit for the months purchased unless the employee  
2           is ineligible for any service in the fiscal year. The employee shall be eligible  
3           to purchase the additional months under this subsection to total one (1)  
4           year.

5           (d) This subsection shall not apply to members who began participating in the  
6           County Employees Retirement System on or after January 1, 2014.

7           (5) Vested Service Purchases. Any employee who began participating in the County  
8           Employees Retirement System prior to January 1, 2014, who is vested may  
9           purchase service credit for:

10          (a) Past service. "Past service" means periods of employment:

11           1. Between July 1, 1958, and the effective date of participation by the  
12           employer;

13           2. Where the employee did not participate in the system due to the  
14           employee not electing to participate as provided in subsection (1)(b)  
15           and (c) of Section 14 of this Act; and

16           3. With a political subdivision that did not participate in the system but  
17           would have been eligible to participate under Section 112 of this Act,  
18           provided the political subdivision has merged with or been taken over  
19           by a participating employer;

20          (b) State university service, provided the university does not participate in a  
21          state-administered retirement system and the employee did not participate in  
22          a defined benefit retirement program during his or her service to the  
23          university;

24          (c) Up to ten (10) years of out-of-state service. "Out-of-state" means service  
25          credited to a state or local government-administered public defined benefit  
26          plan in another state that is not a defined benefit plan for teachers. The  
27          employee may purchase the service as hazardous duty service credit

1 provided the employee is vested to receive hazardous duty benefits from the  
2 system and the service could be certified as hazardous pursuant to Section  
3 36 of this Act;

4 (d) Active military duty, which shall mean periods of active military duty in the  
5 Armed Forces of the United States, provided:

6 1. The employee's military service was terminated in a manner other  
7 than as described in 38 U.S.C. sec. 4304; and

8 2. The service has not been credited as free military service under  
9 subsection (1) of this section;

10 (e) National Guard service. A member may purchase one (1) month of service  
11 for each six (6) months of service in the National Guard or the military  
12 reserves of the United States. The service shall be treated as service earned  
13 prior to participation in the system;

14 (f) Federal service. "Federal service" means service with the United States  
15 government, that is not service in the Armed Forces;

16 (g) Seasonal, emergency, or temporary employment or part-time employment  
17 averaging one hundred (100) or more hours of work per month on a  
18 calendar or fiscal year basis. If the average number of hours of work is less  
19 than one hundred (100) per month, the member may purchase credit for  
20 only those months he receives creditable compensation for one hundred  
21 (100) hours of work;

22 (h) Part-time employment in a noncertified position at a school board prior to  
23 the 1990-91 school year which averaged eighty (80) or more hours of work  
24 per month on a calendar or fiscal year basis. If the average number of  
25 hours of work is less than eighty (80) per month, the noncertified employee  
26 of a school board shall be allowed to purchase credit only for those months  
27 he receives creditable compensation for eighty (80) hours of work;

- 1        (i) Any period of:
- 2            1. Authorized maternity or sick leave;
- 3            2. Unpaid leave authorized under the federal Family and Medical Act;
- 4            3. Approved educational leave; and
- 5            4. Agency-approved leave to work for a work-related labor organization
- 6                    if the agency subsequently participated in the system, but only if the
- 7                    board receives a favorable private letter ruling from the United States
- 8                    Internal Revenue Service or a favorable opinion letter from the United
- 9                    States Department of Labor;
- 10        (j) Nonparticipating employer service, which means periods of employment
- 11                    with the following types of agencies provided the agency does not participate
- 12                    in a state-administered retirement system:
- 13            1. A regional community services program for mental health organized
- 14                    and operated under the provisions of KRS 210.370 to 210.480;
- 15            2. A community action agency created under KRS 273.405 to 273.453;
- 16            3. An area development district created pursuant to KRS 147A.050; or
- 17            4. A business development corporation created pursuant to KRS 155.001
- 18                    to 155.230, provided the system receives a favorable private letter
- 19                    ruling from the United States Internal Revenue Service or a favorable
- 20                    opinion letter from the United States Department of Labor;
- 21        (k) Urban-county government service, which means employment in an urban-
- 22                    county government position that would qualify for hazardous duty coverage
- 23                    under Section 16 of this Act;
- 24        (l) Periods of service as assistants to officers and employees of the General
- 25                    Assembly for persons who were unable to acquire service under subsection
- 26                    (20) of Section 74 of this Act for service performed after January 1, 1960;
- 27                    and

1        (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-  
2                720.

3        (6) Nonqualified service. Provided the employee's participation date in the system is  
4                prior to July 15, 2002, and provided the employee has total service in all state-  
5                administered retirement systems of at least one hundred eighty (180) months of  
6                service credit, the employee may purchase a combined maximum total of five (5)  
7                years of service credit, known as nonqualified service, which is not otherwise  
8                purchasable under any of the provisions of KRS 78.510 to 78.852. The service  
9                purchased under this subsection shall not be used in determining a retirement  
10               allowance until the member has accrued at least two hundred forty (240) months  
11               of service, excluding service purchased under this subsection. If the member does  
12               not accrue at least two hundred forty (240) months of service, excluding service  
13               purchased under this subsection, upon retirement, death, or written request  
14               following termination, the payment, plus interest as provided in Section 25 of this  
15               Act, shall be refunded.

16        (7) For purposes of service purchased under subsections (2) to (6) of this section:

17               (a) Except for subsection (6) of this section, the service must qualify as regular  
18               full-time as provided by subsection (21) of Section 12 of this Act:

19               (b) No service credit may be purchased for periods already credited to the  
20               system or another public defined benefit retirement fund, including  
21               nonqualified service purchased in another state-administered retirement  
22               system;

23               (c) Except as provided by subsection (9)(a)2.a. of this section, the employee  
24               payment for service purchases shall not be picked up, as described in  
25               subsection (4) of Section 17 of this Act, by the employer; and

26               (d) Except for service purchased under subsection (2) or (3) of this section,  
27               service purchases made pursuant to this section may be purchased by the

1 entire amount of service available or by increments. Service purchases  
2 made pursuant to subsections (2) and (3) of this section shall only be  
3 purchased by the entire amount of service available.

4 (8) (a) Employer purchase of past service. Any employer participating in the  
5 system may purchase service credit, between July 1, 1958, and the  
6 participation date of the employer, for present employees of the county who  
7 have obtained coverage under subsection (1)(b) and (c) of Section 14 of this  
8 Act, provided the employee began participating in the system prior to  
9 January 1, 2014.

10 (b) The employer may purchase the service, with interest at the rate actuarially  
11 assumed by the board, over a period not to exceed ten (10) years.

12 (c) If an employer elects to purchase service under the provisions of this  
13 subsection, any present employee who would be eligible to receive service  
14 credit under the provisions of this subsection and has purchased service  
15 credit under subsection (3)(a) of this section shall have his or her payment  
16 for the service credit refunded with interest at the rate paid under Section 25  
17 of this Act; and

18 (d) Any payments made by an employer under this subsection shall be deposited  
19 to the retirement allowance account of the system and these funds shall not  
20 be considered accumulated contributions of the individual members.

21 (9) (a) An employee participating in the system may purchase service credit under  
22 any of the provisions of KRS 78.510 to 78.852 for which he or she is eligible  
23 to purchase, or as otherwise required by 38 U.S.C. ch. 43, by:

24 1. Making a lump-sum payment on a before-tax basis as provided in  
25 subparagraph 3. of this paragraph, or on an after-tax basis if the  
26 employee is purchasing service credit under subsection (2) or (3) of  
27 this section, service available pursuant to 38 U.S.C. ch. 43 not

1 otherwise provided for in this section, or grandfathered service as  
2 defined in paragraph (b) of this subsection;

3 2. Entering into an agreement to purchase service credit through an  
4 installment purchase of service agreement with the systems as  
5 provided by paragraph (c) of this subsection:

6 a. On a before-tax basis in which the service is purchased pursuant  
7 to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or

8 b. On an after-tax basis if the employee is purchasing service credit  
9 under subsection (2) or (3) of this section, service available  
10 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this  
11 section, or grandfathered service as defined in paragraph (b) of  
12 this subsection; or

13 3. Transferring funds to the system through a direct trustee-to-trustee  
14 transfer as permitted under the applicable sections of the Internal  
15 Revenue Code and any regulations or rulings issued thereunder,  
16 through a direct rollover as contemplated by and permitted under 26  
17 U.S.C. sec. 401(a)(31) and any regulations or rulings issued  
18 thereunder, or through a rollover of funds pursuant to and permitted  
19 under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The  
20 system shall accept the transfer or rollover to the extent permitted  
21 under the rules specified in the applicable provisions of the Internal  
22 Revenue Code and any regulations and rulings issued thereunder.

23 (b) For purposes of this subsection, "grandfathered service" means service  
24 purchases for which a member, whose membership date in the system is  
25 prior to July 1, 1999, is eligible to purchase under KRS 78.510 to 78.852,  
26 that were available for all members of the system to purchase on August 5,  
27 1997.



- 1        (c) 1. For service purchased under a before-tax or after-tax installment  
2                    purchase of service agreement as provided by paragraph (a)2. of this  
3                    subsection, the cost of the service shall be computed in the same  
4                    manner as for a lump-sum payment which shall be the principal,  
5                    except that interest compounded annually at the actuarial rate in  
6                    effect at the time the member elects to make the purchase shall be  
7                    added for the period that the installments are to be made.
- 8        2. Multiple service purchases may be combined under a single  
9                    installment agreement, except that no employee may make more than  
10                   one (1) installment purchase at the same time.
- 11       3. For after-tax installment purchase of service agreements, the  
12                   employee may elect to stop the installment payments by notifying the  
13                   system; may have the installment purchase recalculated to add one (1)  
14                   or more additional service purchases; or may pay by lump sum the  
15                   remaining principal or a portion of the remaining principal.
- 16       4. Before-tax installment purchase of service agreements shall be  
17                   irrevocable, and the employee shall not be able to stop installment  
18                   payments or to pay off the remaining balance of the purchase of  
19                   service agreement, except upon termination of employment or death.
- 20       5. One (1) year of installment payments shall be made for each one  
21                   thousand dollars (\$1,000) or any part thereof of the total cost, except  
22                   that the total period allowed for installments shall not be less than one  
23                   (1) year and shall not exceed five (5) years.
- 24       6. The employee shall pay the installments by payroll deduction for after-  
25                   tax purchase of service agreements, and the employer shall pick up  
26                   installments for before-tax purchase of service agreements. Upon  
27                   notification by the system, the employer shall report the installment

1                   payments either monthly or semimonthly continuously over each  
2                   twelve (12) month period at the same time as, but separate from,  
3                   regular employee contributions on the forms or by the computer  
4                   format specified by the board.

5                   7. The system shall determine how much of the total cost represents  
6                   payment for one (1) month of the service to be purchased and shall  
7                   credit one (1) month of service to the member's account each time this  
8                   amount has been paid. The first service credited shall represent the  
9                   first calendar month of the service to be purchased and each  
10                   succeeding month of service credit shall represent the succeeding  
11                   months of that service.

12                   8. If the employee utilizing an installment purchase of service agreement  
13                   dies, retires, does not continue employment in a position required to  
14                   participate in the system, or elects to stop an after-tax installment  
15                   purchase of service agreement, the member, or in the case of death,  
16                   the beneficiary, shall have sixty (60) days to pay the remaining  
17                   principal or a portion of the remaining principal of the installment  
18                   purchase of service agreement by lump sum, subject to the restrictions  
19                   of paragraph (a)1. of this subsection, or by transfer of funds under  
20                   paragraph (a)3. of this subsection, except that payment by the member  
21                   shall be filed with the system prior to the member's effective  
22                   retirement date. If the member or beneficiary does not pay the  
23                   remaining cost, the system shall refund to the member or the  
24                   beneficiary any payment or portion of a payment that does not  
25                   represent a full month of service purchased, except as provided by  
26                   subsection (6) of this section.

27                   9. If the employer does not report installment payments on an employee

1 for sixty (60) days for an after-tax installment purchase of service  
2 agreement, except in the case of employees on military leave or sick  
3 leave without pay, the installment purchase shall cease and the system  
4 shall refund to the employee the payment, payments, or portion of a  
5 payment that does not represent a full month of service purchased.

6 10. Installment payments of employees on military leave or sick leave  
7 without pay shall be suspended during the period of leave and shall  
8 resume without recalculation upon the employee's return from leave.

9 11. If payments have ceased under subparagraph 8. or 9. of this  
10 paragraph and the member later becomes a participating employee in  
11 the system, the employee may complete the adjusted original  
12 installment purchase by lump sum or installment payments, subject to  
13 the restrictions of this subsection. If the employee elects to renew the  
14 installment purchase, the cost of the remaining service shall be  
15 recalculated in accordance with subsection (10) of this section.

16 (d) Member payments, including interest, properly received pursuant to this  
17 subsection, shall be deposited to the member's account and considered as  
18 accumulated contributions of the individual member.

19 (10) (a) The cost of purchasing service credit under any provision of this section,  
20 except as provided by subsections (1) to (3) of this section, shall be  
21 determined by multiplying the higher of the employee's current rate of pay,  
22 final rate of pay, or final compensation as of the end of the month in which  
23 the purchase is made times the actuarial factor times the number of years of  
24 service being purchased. The actuarial factor used to determine the cost of  
25 purchasing service credit shall assume the earliest date the member may  
26 retire.

27 (b) Service purchased on or after August 1, 2004, under the provisions of KRS

1           78.510 to 78.852, except for service purchased under subsections (1) to (3)  
 2           of this section, shall not be used to determine eligibility for or the amount of  
 3           the monthly insurance contribution under Section 50 of this Act.

4           (c) For a member whose participation begins on or after August 1, 2004,  
 5           service purchased under the provisions of KRS 78.510 to 78.852, except for  
 6           service purchased under subsections (1) to (3) of this section:

7           1. Shall not be used to determine eligibility for a retirement allowance  
 8           under disability retirement, early retirement, normal retirement, or  
 9           death under any of the provisions of KRS 78.510 to 78.852; and

10          2. Shall only be used to determine the amount of the retirement  
 11          allowance of a member who is eligible for a retirement allowance  
 12          under disability, early retirement, normal retirement, or death under  
 13          any of the provisions of KRS 78.510 to 78.852, based on service earned  
 14          as a participating employee.

15          ➔SECTION 21. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 16 TO READ AS FOLLOWS:

17          (1) (a) As soon as practicable after its organization, the board shall adopt the  
 18          actuarial tables, assumptions, and methods necessary for the administration  
 19          of the system and for the annual determination of actuarial assets, actuarial  
 20          liabilities, and recommended employer contribution rates of the system as  
 21          provided by Sections 22 and 50 of this Act, for the pension and retiree  
 22          health funds.

23          (b) The board shall cause an actuarial valuation to be made annually. The  
 24          valuation shall at a minimum include:

25          1. A description of the actuarial assumptions used in the actuarial  
 26          valuation, which shall be reasonably related to the experience of the  
 27          system and represent the actuary's best estimate of anticipated

- 1                   experience;
- 2                   2. A description of any funding methods utilized or required by state law
- 3                   in the development of the actuarial valuation results;
- 4                   3. A description of any changes in actuarial assumptions and methods
- 5                   from the previous year's actuarial valuation;
- 6                   4. The actuarially recommended contribution rate for employers for the
- 7                   upcoming budget periods;
- 8                   5. A twenty (20) year projection of the funding levels, unfunded
- 9                   liabilities, and actuarially recommended contribution rates for
- 10                  employers based upon the actuarial assumptions, funding methods,
- 11                  and experience of the system as of the valuation date; and
- 12                  6. A sensitivity analysis that evaluates the impact of changes in system
- 13                  assumptions, including but not limited to the investment return
- 14                  assumption, payroll growth assumption, and medical inflation rates,
- 15                  on employer contribution rates, funding levels, and unfunded
- 16                  liabilities.
- 17                  (c) At least once in each five (5) year period, the board shall cause an actuarial
- 18                  investigation to be made of all the experience under the system relative to
- 19                  the actuarial assumptions and funding methods previously adopted by the
- 20                  board. The actuarial investigation shall include at a minimum a summary
- 21                  of the changes in actuarial assumptions and funding methods
- 22                  recommended in the investigation and the projected impact of the
- 23                  recommended changes on funding levels, unfunded liabilities, and
- 24                  actuarially recommended contribution rates for employers over a twenty
- 25                  (20) year period.
- 26                  (d) Pursuant to the actuarial investigation the board shall, from time to time,
- 27                  revise the actuarial tables previously adopted by the board and shall

1 thereupon revise the bases of the rates of employer contributions required  
 2 under KRS 78.510 to 78.852.

3 (e) For any change in actuarial assumptions, funding methods, retiree health  
 4 insurance premiums and subsidies, or any other decisions made by the  
 5 board that impact system liabilities and actuarially recommended  
 6 contribution rates for employers and that are not made in conjunction with  
 7 the actuarial investigation required by paragraph (c) of this subsection, an  
 8 actuarial analysis shall be completed showing the projected impact of the  
 9 changes on funding levels, unfunded liabilities, and actuarially  
 10 recommended contribution rates for employers over a twenty (20) year  
 11 period.

12 (f) All actuarial investigations, analyses, and valuations shall be certified to the  
 13 board by an actuary who shall be a fellow of the Conference of Consulting  
 14 Actuaries or a member of the American Academy of Actuaries.

15 (2) A copy of each five (5) year actuarial investigation, actuarial analysis, and  
 16 annual valuation required by subsection (1) of this section shall be forwarded  
 17 electronically to the Legislative Research Commission no later than ten (10) days  
 18 after receipt by the board, and the Legislative Research Commission shall  
 19 distribute the information received to the committee staff and co-chairs of any  
 20 committee that has jurisdiction over the County Employees Retirement System.  
 21 The actuarial valuation required by subsection (1)(b) of this section shall be  
 22 submitted no later than November 15 following the close of the fiscal year.

23 ➔SECTION 22. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 24 TO READ AS FOLLOWS:

25 (1) (a) Each employer participating in the County Employees Retirement System as  
 26 provided for in KRS 78.510 to 78.852 shall contribute annually to the  
 27 system an amount equal to the percentage, as computed under subsection

1           (2) of this section, of the creditable compensation of its employees to be  
2           known as the "normal contributions," and an additional amount to be  
3           known as the "actuarially accrued liability contribution" which the board  
4           shall compute by amortizing the total unfunded actuarially accrued liability  
5           over a period of thirty (30) years using the level-percentage-of-payroll  
6           method. The thirty (30) year amortization period shall begin with the 2013  
7           actuarial valuation.

8           (b) Any significant increase in the actuarially accrued liability due to benefit  
9           improvements shall be amortized using the level-percent-of-payroll  
10           amortization method over a separate thirty (30) year period commencing in  
11           the year of the actuarial valuation in which the benefit improvements are  
12           first reflected.

13           (2) The normal contribution rate shall be determined by the entry age normal cost  
14           funding method. The actuarially accrued liability shall be determined by  
15           actuarial method consistent with the methods prescribed for determining the  
16           normal contribution rate. Normal contributions and the actuarially accrued  
17           liability contribution shall be determined on actuarial assumptions and methods  
18           adopted by the board.

19           (3) Except as provided under subsection (10) of Section 31 of this Act, normal  
20           contribution and the actuarially accrued liability contribution rates shall be  
21           determined by the board on the basis of the annual actuarial valuation last  
22           preceding the July 1 of a new fiscal year.

23           (4) Employer contribution rates as provided by this section shall:

24           (a) Be developed separately for employers providing benefits to employees in  
25           nonhazardous positions and for employers providing benefits to employees  
26           in hazardous positions;

27           (b) Include an employer contribution rate to fund pension benefits and an

- 1                   employer contribution rate to fund retiree health benefits; and  
 2                   (c) Not exceed the amount specified under subsection (10) of Section 31 of this  
 3                   Act for those members who begin participating on or after July 1, 2018.  
 4                   (5) The system shall advise each employer prior to the beginning of each fiscal year  
 5                   of any change in the employer contribution rate. Based on the employer  
 6                   contribution rate, each employer shall include in the budget sufficient funds to  
 7                   pay the employer contributions as determined by the board under this section.

8                   ➔Section 23. KRS 78.625 is amended to read as follows:

- 9                   (1) The employer shall prepare the reporting records necessary for the system to  
 10                   administer the provisions of KRS 78.510 to 78.852 and, from time to time, shall  
 11                   furnish the information the system may require in the discharge of its duties.  
 12                   Upon employment of an employee, the employer shall inform him or her of his or  
 13                   her duties and obligations in connection with the system as a condition of  
 14                   employment.
- 15                   (2) The agency reporting official of the county shall file the following at the retirement  
 16                   office on or before the tenth day of the month following the period being reported:
- 17                   (a) The employee and employer contributions required under KRS 78.610,  
 18                   Section 22 of this Act~~[61.565]~~, and Section 50 of this Act~~[61.702]~~;
- 19                   (b) The employer contributions and reimbursements for retiree health insurance  
 20                   premiums required under Section 52 of this Act~~[KRS 61.637]~~; and
- 21                   (c) A record of all contributions to the system on the forms prescribed by the  
 22                   systems.
- 23                   ~~(3)~~~~(2)~~ (a) If the agency reporting official fails to file at the retirement office all  
 24                   contributions and reports on or before the tenth day of the month following  
 25                   the period being reported, or if an employer fails to make payments for  
 26                   ceasing participation as provided by Section 13 of this Act, interest on the  
 27                   delinquent contributions or payments at the actuarial rate adopted by the



1 board compounded annually, but not less than one thousand dollars (\$1,000),  
 2 shall be added to the amount due the system. **Contributions payable by the**  
 3 **employer under subsection (2) of Section 20 of this Act shall be considered**  
 4 **delinquent from the date the employee should have been reported and**  
 5 **received service credit in accordance with Section 18 of this Act.**

6 (b) Delinquent contributions **or delinquent payments owed under Section 13 of**  
 7 **this Act**, with interest at the rate adopted by the board compounded annually,  
 8 or penalties may be recovered by action in the Franklin Circuit Court against  
 9 the county liable or may, at the request of the board, be deducted from any  
 10 other moneys payable to the county by any department or agency of the state.

11 ~~(4)~~<sup>(3)</sup> If an agency is delinquent in the payment of contributions due in accordance  
 12 with any of the provisions of KRS 78.510 to 78.852 **or is delinquent in payments**  
 13 **owed under Section 13 of this Act**, refunds and retirement allowance payments to  
 14 members of this agency may be suspended until the delinquent contributions, with  
 15 interest at the rate adopted by the board compounded annually, or penalties have  
 16 been paid to the system.

17 **(5) The system may at any time conduct an audit of the employer in order to**  
 18 **determine if the employer is complying with the provisions of KRS 78.510 to**  
 19 **78.852. The system shall have access to and may examine all books, accounts,**  
 20 **reports, correspondence files, and records of any employer. Every employer,**  
 21 **employee, or agency reporting official of a county, as defined in subsection (3) of**  
 22 **Section 12 of this Act, having records in its possession or under its control, shall**  
 23 **permit access to and examination of the records upon the request of the system.**

24 ➔Section 24. KRS 78.630 is amended to read as follows:

25 **Except as provided by Section 49 of this Act**, all of the assets of the system shall be held  
 26 and invested in the county employees' retirement fund and credited, according to the  
 27 purpose for which they are held, to one (1) of three (3) accounts, namely, the members'

1 account, the retirement allowance account, and accounts established pursuant to 26  
 2 U.S.C. sec. 401(h) within the funds established in KRS ~~[16.510, 61.515, and ]~~78.520, as  
 3 prescribed by **subsection (3)(b) of Section 50 of this Act**~~[KRS 61.702(2)(b)]~~.

4 →Section 25. KRS 78.640 is amended to read as follows:

5 (1) The members' account shall be the account to which:

6 (a) All members' contributions, or contributions picked up by the employer after  
 7 August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852  
 8 shall be credited, except as provided by **subsection (3)(b) of Section 50 of this**  
 9 **Act**~~[KRS 61.702(2)(b)]~~; and

10 (b) For members who begin participating in the system on or after January 1,  
 11 2014, the employer pay credit and interest credited on such amounts as  
 12 provided by **Sections 31 and 33 of this Act**~~[KRS 16.583 and 61.597]~~ shall be  
 13 credited.

14 Only funds from this account shall be used to return the accumulated contributions  
 15 or accumulated account balances of a member when required to be returned to him  
 16 by reason of any provision of KRS 78.510 to 78.852. Prior to the member's  
 17 retirement, death, or refund in accordance with **Section 45 of this Act**~~[KRS 61.625]~~,  
 18 no funds shall be made available from the member account.

19 (2) Each member's contribution or contribution picked up by the employer shall be  
 20 credited to the individual account of the contributing member, except as provided  
 21 by **subsection (3)(b) of Section 50 of this Act**~~[KRS 61.702(2)(b)]~~.

22 (3) (a) Each member shall have his individual account credited with interest on June  
 23 30 of each year.

24 (b) For a member who begins participating before September 1, 2008, interest  
 25 shall be credited to his individual account at a rate determined by the board  
 26 but not less than two percent (2%) per annum on the accumulated account  
 27 balance of the member on June 30 of the preceding fiscal year.

1 (c) For a member who begins participating on or after September 1, 2008, but  
 2 prior to January 1, 2014, interest shall be credited to his or her individual  
 3 account at a rate of two and one-half percent (2.5%) per annum on the  
 4 accumulated contributions of the member on June 30 of the preceding fiscal  
 5 year.

6 (d) For a member who begins participating on or after January 1, 2014, in the  
 7 hybrid cash balance plan, interest shall be credited in accordance with  
 8 Sections 31 and 33 of this Act~~[KRS 16.583 and 61.597]~~.

9 (e) The amounts of interest credited to a member's account under this subsection  
 10 shall be transferred from the retirement allowance account.

11 (4) (a) Upon the retirement of a member who began participating in the system prior  
 12 to January 1, 2014, his accumulated account balance shall be transferred from  
 13 the members' account to the retirement allowance account.

14 (b) Upon the retirement of a member who began participating in the system on or  
 15 after January 1, 2014, who elects to annuitize his or her accumulated account  
 16 balance as prescribed by subsection (7)(a) or (b) of Section 31 of this  
 17 Act~~[KRS 16.583(7)(a) or (b)]~~ or subsection (7)(a) or (b) of Section 33 of this  
 18 Act~~[61.597(7)(a) or (b)]~~, the member's accumulated account balance shall be  
 19 transferred to the retirement allowance account.

20 ➔Section 26. KRS 78.650 is amended to read as follows:

21 Except as provided by Section 49 of this Act, the retirement allowance account shall be  
 22 the account in which shall be accumulated all employer contributions and amounts  
 23 transferred from the members' account, and to which all income from the invested assets  
 24 of the system shall be credited. From this account shall be paid the expenses of the system  
 25 and the board in administration of the system, retirement allowances, and any other  
 26 benefits payable after a member's retirement and from this account shall be transferred to  
 27 the members' account:

- 1 (1) The employer pay credit added monthly to each member's individual accounts as  
 2 provided by Sections 31 and 33 of this Act~~[KRS 16.583 and 61.597]~~; and  
 3 (2) The interest credited annually to each member's individual account as provided by  
 4 KRS 78.510 to 78.852.

5 ➔SECTION 27. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 6 TO READ AS FOLLOWS:

- 7 (1) Notwithstanding the provisions of KRS Chapter 413, upon discovery of any error  
 8 or omission in system records, the system shall correct all records, including but  
 9 not limited to membership in the system, service credit, member and employer  
 10 contributions, and benefits paid or payable. The system may conduct audits to  
 11 detect possible fraud, misrepresentation, and change in circumstance, which may  
 12 result in errors or omissions in the system's records. The system, by its executive  
 13 director or by representatives appointed in writing by the executive director, may  
 14 take testimony or depositions, and may examine records, documents, or files of  
 15 any person whose records, documents, or files may furnish knowledge  
 16 concerning any system records, when the executive director or representative  
 17 deems this reasonably necessary for purposes incident to the performance of the  
 18 system's functions. The system may enforce these powers by application to the  
 19 Franklin Circuit Court, which court may compel compliance with the orders of  
 20 the executive director or representatives appointed by the executive director.  
 21 (2) Neither the board nor any of its individual members shall be liable to any person  
 22 for any claim arising from the failure of any participating employer, or any  
 23 employer who should have been participating in the system operated by the  
 24 board, to make retirement contributions on behalf of the person.  
 25 (3) (a) Any person, including but not limited to members and agency reporting  
 26 officials, who makes a statement, report, or representation, shall, at the  
 27 request of the system, make the statement, report, or representation under

1           oath with an acknowledgment that a false statement, report, or  
2           representation shall be punishable by law.

3           (b) Notwithstanding paragraph (a) of this subsection, the system may, in its  
4           discretion, rely in good faith on any unsworn statement, report, or  
5           representation without further inquiry.

6           ➔SECTION 28. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
7 TO READ AS FOLLOWS:

8           (1) For purposes of this section, "bona fide promotion or career advancement":

9           (a) Means a professional advancement in substantially the same line of work  
10           held by the employee in the four (4) years immediately prior to the final five  
11           (5) fiscal years preceding retirement or a change in employment position  
12           based on the training, skills, education, or expertise of the employee that  
13           imposes a significant change in job duties and responsibilities to clearly  
14           justify the increased compensation to the member; and

15           (b) Does not include any circumstance where an elected official participating in  
16           the County Employees Retirement System takes a position of employment  
17           with a different employer participating in any of the state-administered  
18           retirement systems.

19           (2) (a) For employees retiring from the County Employees Retirement System on  
20           or after January 1, 2018, the system shall, for each of the retiring  
21           employee's last five (5) fiscal years of employment, identify any fiscal year  
22           in which the creditable compensation increased at a rate of ten percent  
23           (10%) or more annually over the immediately preceding fiscal year's  
24           creditable compensation. The employee's creditable compensation in the  
25           fiscal year immediately prior to the employee's last five (5) fiscal years of  
26           employment shall be utilized to compare the initial fiscal year in the five (5)  
27           fiscal year period.

1        (b) Except as limited or excluded by subsections (3) and (4) of this section, any  
2        amount of increase in creditable compensation for a fiscal year identified  
3        under paragraph (a) of this subsection that exceeds ten percent (10%) more  
4        than the employee's creditable compensation from the immediately  
5        preceding fiscal year shall not be included in the creditable compensation  
6        used to calculate the retiring employee's monthly retirement allowance. If  
7        the creditable compensation for a specific fiscal year identified under  
8        paragraph (a) of this subsection as exceeding the ten percent (10%)  
9        increase limitation is not used to calculate the retiring employee's monthly  
10       retirement allowance, then no reduction in creditable compensation shall  
11       occur for that fiscal year.

12       (c) If the creditable compensation of the retiring employee is reduced as  
13       provided by paragraph (b) of this subsection, the system:

- 14       1. Shall refund the employee contributions and interest attributable to  
15       the reduction in creditable compensation; and
- 16       2. Shall not refund the employer contributions paid but shall utilize  
17       those funds to pay down the unfunded liability of the pension fund in  
18       which the retiring employee participated.

19       (3) In order to ensure the prospective application of the limitations on increases in  
20       creditable compensation contained in subsection (2) of this section, only the  
21       creditable compensation earned by the retiring employee on or after July 1, 2018,  
22       shall be subject to reduction under subsection (2) of this section. Creditable  
23       compensation earned by the retiring employee prior to July 1, 2018, shall not be  
24       subject to reduction under subsection (2) of this section.

25       (4) Subsection (2) of this section does not apply to:

26       (a) The fiscal year containing the employee's effective retirement date if the  
27       employee earned less than twelve (12) months of service credit during the

- 1           fiscal year;
- 2           (b) A bona fide promotion or career advancement as defined by subsection (1)
- 3           of this section;
- 4           (c) A lump-sum payment for compensatory time paid to an employee upon
- 5           termination of employment;
- 6           (d) A lump-sum payment made pursuant to an alternate sick leave program
- 7           under subsection (5) of Section 19 of this Act that is paid to an employee
- 8           upon termination of employment;
- 9           (e) Increases in creditable compensation in a fiscal year over the immediately
- 10           preceding fiscal year, where in the immediately preceding fiscal year the
- 11           employer reported the employee as being on leave without pay for any
- 12           reason, including but not limited to any period of time where the employee
- 13           received workers' compensation benefit payments that were not reported to
- 14           the plan as creditable compensation;
- 15           (f) Increases in creditable compensation directly attributable to an employee's
- 16           receipt of compensation for overtime hours worked while serving as a
- 17           participating employee under any state or federal grant, grant pass-through,
- 18           or similar program that requires overtime as a condition or necessity of the
- 19           employer's receipt of the grant; or
- 20           (g) Increases in creditable compensation directly attributable to an employee's
- 21           receipt of compensation for overtime performed during a state of emergency
- 22           declared by the President of the United States or the Governor of the
- 23           Commonwealth of Kentucky.
- 24           (5) The system shall determine whether increases in creditable compensation during
- 25           the last five (5) fiscal years of employment prior to retirement constitute a bona
- 26           fide promotion or career advancement and may promulgate administrative
- 27           regulations in accordance with KRS Chapter 13A to administer this section. All

1 state-administered retirement systems shall cooperate to implement this section.

2 (6) Any employee who disagrees with a determination made by the system in  
 3 accordance with this section regarding whether an increase in compensation  
 4 constitutes a bona fide promotion or career advancement for purposes of  
 5 subsection (5) of this section may request a hearing and appeal the decision in  
 6 accordance with Section 56 of this Act.

7 (7) The system shall provide a means for employers to separately report the specific  
 8 exceptions provided in subsection (4) of this section within the reporting system  
 9 utilized by the employers for making employer reports under Section 23 of this  
 10 Act. The system shall continually provide communication, instructions, training,  
 11 and educational opportunities for employers regarding how to appropriately  
 12 report exemptions established by subsection (4) of this section.

13 (8) This section shall not apply to employees participating in the hybrid cash balance  
 14 plan as provided by Sections 31 and 33 of this Act.

15 ➔SECTION 29. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 16 TO READ AS FOLLOWS:

17 (1) Prior to the first day of the month in which the member receives his or her first  
 18 retirement allowance and prior to the member filing a notification of retirement  
 19 or a request for refund:

20 (a) Each member may designate on the form prescribed by the board a  
 21 principal beneficiary and contingent beneficiary for his or her account. The  
 22 principal beneficiary or contingent beneficiary designated by the member  
 23 shall be:

24 1. One (1) or more persons;

25 2. The member's estate; or

26 3. A trust;

27 (b) 1. If multiple persons are designated as provided by paragraph (a)1. of



1                   this subsection, the member shall indicate the percentage of total  
2                   benefits each person is to receive.

3                   2. If percentages are not indicated, payments will be disbursed equally to  
4                   the named beneficiaries.

5                   3. If the percentages indicated do not total one hundred percent (100%),  
6                   each beneficiary shall receive an increased or decreased percentage  
7                   which is proportional to the percentage allotted him or her by the  
8                   member.

9                   4. If any of the multiple beneficiaries die prior to the member's death,  
10                  the remaining beneficiaries shall be entitled to the deceased  
11                  beneficiary's percentage of the total benefits, and each shall receive a  
12                  percentage of the deceased's share which is equal to the percentage  
13                  allotted them by the member;

14                  (c) The principal and contingent beneficiary designation established by the  
15                  member pursuant to paragraph (a) of this subsection shall remain in full  
16                  force and effect until changed by the member, except:

17                  1. A final divorce decree terminates an ex-spouse's status as beneficiary,  
18                  unless the member has on file in the retirement office a beneficiary  
19                  designation that redesignates the ex-spouse as beneficiary subsequent  
20                  to the issuance of the divorce decree;

21                  2. If a beneficiary or beneficiaries are convicted of any crime which  
22                  prohibits that person or persons from receiving the benefits under  
23                  KRS 381.280, the beneficiary or beneficiaries shall not be eligible for  
24                  any of the benefits and the remaining beneficiary or beneficiaries or,  
25                  if none, the member's estate, shall become the beneficiary; and

26                  3. When a notification of retirement has been filed at the retirement  
27                  office, the designation of beneficiary on the notification of retirement,

1           which shall be one (1) person, his or her estate, or a trust, shall  
2           supersede the designation of all previous beneficiaries, unless the  
3           notification of retirement is withdrawn, invalid, or voided. If the  
4           notification of retirement is withdrawn, invalid, or voided, the prior  
5           beneficiary designation on file with the system shall remain in full  
6           force and effect until changed by the member; and

7           (d) Except as provided by paragraph (c)3. of this subsection, if the member fails  
8           to designate a beneficiary for his or her account or if the beneficiary  
9           designation is determined to be void by the system, the member's estate shall  
10           become the beneficiary.

11           (2) If the member dies prior to the first day of the month in which the member would  
12           have received his or her first retirement allowance and prior to filing a  
13           notification of retirement or a request for refund, any retirement benefits shall be  
14           payable to the principal beneficiary, except that:

15           (a) If the death of the principal beneficiary or beneficiaries precedes the death  
16           of the member, or if the principal beneficiary is terminated by a divorce  
17           decree, the contingent beneficiary or beneficiaries become the principal  
18           beneficiary or beneficiaries;

19           (b) If the principal beneficiary is one (1) person and is the member's spouse  
20           and they are divorced on the date of the member's death, the contingent  
21           beneficiary or beneficiaries become the principal beneficiary or  
22           beneficiaries;

23           (c) If the member is survived by his or her principal beneficiary or beneficiaries  
24           who subsequently die prior to having on file at the retirement office the  
25           necessary forms prescribed under authority of Section 42 of this Act, the  
26           contingent beneficiary shall become the principal beneficiary or  
27           beneficiaries; and

1       (d) If the deaths of all the principal beneficiaries and all of the contingent  
2       beneficiaries precede the death of the member, the estate of the member  
3       becomes the beneficiary.

4       (3) Prior to the first day of the month in which the member would have received his  
5       or her first retirement allowance, a monthly benefit payable for life shall not be  
6       offered if the beneficiary designated under subsection (1) of this section is more  
7       than one (1) person, the member's estate, or a trust.

8       (4) When a notification of retirement has been filed at the retirement office:

9       (a) The designation of beneficiary on the notification of retirement shall  
10       supersede the designation of all previous beneficiaries;

11       (b) The beneficiary designated by the member on the member's notification of  
12       retirement shall be one (1) person, the member's estate, or a trust; and

13       (c) If the death of the beneficiary named on the notification of retirement  
14       precedes the first day of the month in which the member receives his or her  
15       first retirement allowance, the member may designate another beneficiary  
16       on the member's notification of retirement.

17       (5) After the first day of the month in which the member receives his or her first  
18       retirement allowance and subsequent thereto, a member shall not have the right  
19       to change his beneficiary, except that:

20       (a) The estate of the retired member becomes the beneficiary if the date of  
21       death of the beneficiary precedes or coincides with the date of death of the  
22       retired member;

23       (b) The estate of the retired member becomes the beneficiary if the retired  
24       member had designated a person as beneficiary who was the spouse or who  
25       later married the member and they were divorced on the date of the retired  
26       member's death. An ex-spouse who was the named beneficiary on the  
27       member's notification of retirement shall be reinstated as the member's

1 beneficiary for the payment options provided by subsections (2), (3), (4), and  
 2 (8)(b) of Section 34 of this Act if they are remarried to each other as of the  
 3 date of the retired member's death; and

4 (c) The estate of the member shall not receive monthly payments if the member  
 5 selected one (1) of the payment options provided by subsections (2), (3), (4),  
 6 and (8)(b) of Section 34 of this Act.

7 ➔SECTION 30. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 8 TO READ AS FOLLOWS:

9 (1) The provisions of this section shall only apply to members who began  
 10 participating in the system prior to January 1, 2014, who have service in a  
 11 nonhazardous position.

12 (2) (a) A member who began participating prior to September 1, 2008, is eligible  
 13 for a retirement allowance determined under subsection (4)(a) or (b) of this  
 14 section, as applicable, for his or her service if:

15 1. The member has attained normal retirement age and has four (4) or  
 16 more years of service, at least one (1) of which is current service;

17 2. The member has twenty-seven (27) or more years of service, at least  
 18 fifteen (15) of which are current service;

19 3. The member has attained age fifty-five (55) and has five (5) or more  
 20 years of service, at least one (1) of which is current service; or

21 4. The member is less than age fifty-five (55) and has twenty-five (25) or  
 22 more years of service, at least fifteen (15) of which are current service.

23 (b) In lieu of any other benefits due under KRS 78.510 to 78.852, a member  
 24 who began participating prior to September 1, 2008, who has attained  
 25 normal retirement age and who has obtained at least one (1) month of  
 26 service credit but no more than forty-seven (47) months of service may elect  
 27 to receive an annual retirement allowance payable monthly or less

1 frequently, as determined by the board, which shall be determined by  
2 multiplying his or her accumulated contributions by two (2) and converting  
3 this amount to an annual retirement allowance based on an annuity rate  
4 adopted by the board which would pay the actuarial equivalent of twice his  
5 or her accumulated contributions over the lifetime of the retired member.

6 (c) A member who began participating prior to September 1, 2008, who has  
7 earned vested service credit in a retirement system, other than the Teachers'  
8 Retirement System, sponsored by a Kentucky institution of higher  
9 education, the Council on Postsecondary Education, or the Higher  
10 Education Assistance Authority, may count the vested service toward  
11 attaining the necessary years of service credit as provided in paragraph (a)2.  
12 and 4. of this subsection to qualify for a retirement allowance. The credit  
13 from a Kentucky institution of higher education, the Council on  
14 Postsecondary Education, or the Higher Education Assistance Authority  
15 shall not be used toward the minimum fifteen (15) years of current service  
16 required by paragraph (a)2. and 4. of this subsection or to calculate his or  
17 her retirement allowance pursuant to this section. The provisions of this  
18 paragraph shall not be construed to limit the use of Teachers' Retirement  
19 System credit pursuant to subsection (2)(a) of Section 104 of this Act.

20 (3) A member who began participating on or after September 1, 2008, but prior to  
21 January 1, 2014, or a member who makes an election as provided in subsections  
22 (9) and (10) of Section 31 of this Act is eligible for a retirement allowance  
23 determined under subsection (4)(c) of this section if:

24 (a) The member has attained normal retirement age and has at least five (5)  
25 years of service credited under subsection (1) of Section 18 of this Act or  
26 another state-administered retirement system;

27 (b) The member is fifty-seven (57) years of age or older and has an age and

- 1           years of service total of at least eighty-seven (87) years. The years of service  
2           used to determine eligibility for a retirement allowance under this  
3           paragraph shall only include years of service credited under subsection (1)  
4           of Section 18 of this Act or another state-administered retirement system; or  
5           (c) The member is sixty (60) years of age or older and has at least ten (10) years  
6           of service credited under subsection (1) of Section 18 of this Act or another  
7           state-administered retirement system.
- 8           (4) Upon retirement under the conditions specified by subsections (2) and (3) of this  
9           section except as provided by subsection (2)(b) of this section, a member covered  
10           by this section may receive an annual retirement allowance, payable monthly  
11           during his or her lifetime, which shall consist of an amount equal to:
- 12           (a) Two and two-tenths percent (2.2%) of final compensation multiplied by the  
13           number of years of service credit, if the member began participating in the  
14           system prior to August 1, 2004;
- 15           (b) Two percent (2%) of final compensation multiplied by the number of years  
16           of service credit, if the member began participating on or after August 1,  
17           2004, but prior to September 1, 2008;
- 18           (c) If the member began participating on or after September 1, 2008, but prior  
19           to January 1, 2014, or if the member makes the election as provided by  
20           subsections (9) and (10) of Section 31 of this Act:
- 21           1. a. One and one-tenth percent (1.1%) of final compensation for  
22           each year of service if the member has earned ten (10) or less  
23           years of service at retirement;
- 24           b. One and three-tenths percent (1.3%) of final compensation for  
25           each year of service if the member has earned greater than ten  
26           (10) but no more than twenty (20) years of service at retirement;
- 27           c. One and one-half percent (1.5%) of final compensation for each

1 year of service if the member has earned greater than twenty (20)  
 2 but no more than twenty-six (26) years of service at retirement;  
 3 or

4 d. One and three-quarters percent (1.75%) of final compensation  
 5 for each year of service if the member has earned greater than  
 6 twenty-six (26) but no more than thirty (30) years of service at  
 7 retirement; and

8 2. Two percent (2%) of final compensation for each year of service  
 9 earned in excess of thirty (30) years of service at retirement; and

10 (d) The annual retirement allowance determined under this subsection shall:

11 1. Be for a member with ten (10) or more years of service in the system at  
 12 least one (1) of which is current service, not be less than five hundred  
 13 twelve dollars (\$512);

14 2. Not be reduced for a member retiring under the provisions specified by  
 15 subsections (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and

16 3. Be reduced for a member retiring under the provisions specified by  
 17 subsections (2)(a)3., (2)(a)4., and (3)(c) of this section by an amount  
 18 determined by the board's actuary to reflect the earlier commencement  
 19 of benefits.

20 ➔SECTION 31. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 21 TO READ AS FOLLOWS:

22 (1) A member of the County Employees Retirement System who is participating in a  
 23 nonhazardous position and who began participating in the system on or after  
 24 January 1, 2014, shall receive the retirement benefits provided by this section in  
 25 lieu of the retirement benefits provided under Section 30 of this Act, unless the  
 26 member makes an election as provided under subsection (9) of this section. The  
 27 retirement benefit provided by this section shall be known as the hybrid cash

1 balance plan and shall operate as another benefit tier within the County  
2 Employees Retirement System.

3 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
4 member's accumulated account balance, which shall include:

5 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,  
6 except for employee contributions prescribed by subsection (3)(b) of Section  
7 50 of this Act;

8 (b) An employer pay credit of four percent (4%) of the creditable compensation  
9 earned by the employee for each month the employee is contributing to the  
10 hybrid cash balance plan provided by this section; and

11 (c) Interest credits added annually to the member's accumulated account  
12 balance as provided by this section.

13 (3) (a) Member contributions and employer pay credits as provided by subsection  
14 (2)(a) and (b) of this section shall be credited to the member's account  
15 monthly as contributions are reported and posted to the system in  
16 accordance with Section 23 of this Act.

17 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
18 credited to the member's account annually on June 30 of each fiscal year,  
19 as determined by subsection (4) of this section.

20 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
21 contributed to the hybrid cash balance plan during the fiscal year.

22 (b) If the member contributed to the hybrid cash balance plan during the fiscal  
23 year, the interest credit added to the member's account for that fiscal year,  
24 except as provided by subsection (9) of this section, shall be determined by  
25 multiplying the member's accumulated account balance on June 30 of the  
26 preceding fiscal year by a percentage increase equal to:

27 1. Four percent (4%); plus



1           2. Seventy-five percent (75%) of the system's geometric average net  
2           investment return in excess of a four percent (4%) rate of return.

3           (c) If the member did not contribute to the hybrid cash balance plan during the  
4           fiscal year, the interest credit added to the member's account for that fiscal  
5           year shall be determined by multiplying the member's accumulated account  
6           balance on June 30 of the preceding fiscal year by four percent (4%).

7           (d) For purposes of this subsection, "system's geometric average net investment  
8           return":

9           1. Means the annual average geometric investment return, net of  
10           administrative and investment fees and expenses, over the last five (5)  
11           fiscal years as of the date the interest is credited to the member's  
12           account; and

13           2. Shall be expressed as a percentage and based upon the system in  
14           which the member has an account.

15           (e) No employer pay credits or interest credits shall be provided to a member  
16           who has taken a refund of contributions as provided by Section 45 of this  
17           Act or who has retired and annuitized his or her accumulated account  
18           balance as prescribed by this section.

19           (5) (a) Upon termination of employment, a member who has less than five (5)  
20           years of service credited under subsection (1) of Section 18 of this Act, who  
21           elects to take a refund of his or her accumulated account balance as  
22           provided by Section 45 of this Act, shall forfeit the accumulated employer  
23           credit, and shall only receive a refund of his or her accumulated  
24           contributions.

25           (b) Upon termination of employment, a member who has five (5) or more years  
26           of service credited under subsection (1) of Section 18 of this Act, who elects  
27           to take a refund of his or her accumulated account balance as provided by

1           Section 45 of this Act, shall receive a full refund of his or her accumulated  
2           account balance.

3       (6) A member participating in the hybrid cash balance plan provided by this section  
4       may retire:

5           (a) At his or her normal retirement age, provided he or she has earned five (5)  
6           or more years of service credited under subsection (1) of Section 18 of this  
7           Act, or another state-administered retirement system; or

8           (b) If the member is at least age fifty-seven (57) and has an age and years of  
9           service total of at least eighty-seven (87) years. The years of service used to  
10          determine eligibility for retirement under this paragraph shall only include  
11          years of service credited under subsection (1) of Section 18 of this Act, or  
12          another state-administered retirement system.

13       (7) A member eligible to retire under subsection (6) of this section may elect to:

14           (a) Receive a monthly retirement allowance payable for life by having his or  
15           her accumulated account balance annuitized by the system in accordance  
16           with the actuarial assumptions and actuarial methods adopted by the board  
17           and in effect on the member's retirement date;

18           (b) Receive the actuarial equivalent of his or her retirement allowance  
19           calculated under paragraph (a) of this subsection payable under one (1) of  
20           the options set forth in Section 34 of this Act; or

21           (c) Take a refund of his or her account balance as provided by Section 45 of  
22           this Act.

23       (8) The provisions of this section shall not apply to members who began participating  
24       in the County Employees Retirement System prior to January 1, 2014, except for  
25       those members who make an election under subsection (9) of this section.

26       (9) On or after July 1, 2018, in lieu of continuing in the hybrid cash balance plan  
27       created by this section, a member of the County Employees Retirement System

1 who is participating in a nonhazardous position and who began participating in  
2 the system on or after January 1, 2014, may elect to receive the benefits provided  
3 in subsection (4)(c) of Section 30 of this Act as applied to his or her creditable  
4 compensation earned on or after his or her date of election. A member who  
5 makes an election under this subsection and has five (5) or more years of service  
6 credited under subsection (1) of Section 18 of this Act, shall retain the full  
7 amount of his or her accumulated account balance. A member who makes an  
8 election under this subsection and has less than five (5) or more years of service  
9 credited under subsection (1) of Section 18 of this Act, shall forfeit his or her  
10 accumulated employer credit and retain only his or her accumulated  
11 contributions for the years prior to the election. An election under this subsection  
12 shall be granted to a member only once and shall be irrevocable.

13 (10) (a) Notwithstanding the provisions of subsection (9) of this section, the actuary  
14 designated by the board of trustees under Section 21 of this Act shall, as  
15 part of the annual valuation of the pension fund, separately assess the  
16 funding levels, unfunded liabilities, and the actuarially required employer  
17 contribution rates payable solely on behalf of the members who make an  
18 election under subsection (9) of this section.

19 (b) If, on the basis of the valuation assessment required under paragraph (a) of  
20 this subsection, the funding level for the pension fund benefits payable on  
21 behalf of members who make the election under subsection (9) of this  
22 section falls below ninety-five percent (95%), or would require an employer  
23 contribution rate for pension fund benefits that exceeds the contribution  
24 rate for the fiscal year beginning on July 1, 2017, as determined under  
25 Section 22 of this Act, the board shall make the following sequential  
26 changes to maintain the funding level and to contain costs within the  
27 amounts prescribed by this subsection:

- 1           1. Simultaneously increasing the employee contribution established by  
 2           Section 5 of this Act and the employer contribution rate as prescribed  
 3           by this subsection not to exceed an additional two percent (2%) of  
 4           annual compensation each for the employee and the employer;  
 5           2. Reducing the percentage of final compensation that is used as a  
 6           retirement factor under subsection (4)(c) of Section 30 of this Act  
 7           applicable to the future years of service accrued after the board's  
 8           action under this paragraph for members who made the election  
 9           under subsection (9) of this section; or  
 10          3. Increasing the requirements for unreduced retirement as provided  
 11          under subsection (3)(b) of Section 30 of this Act.

12           ➔SECTION 32. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 13 TO READ AS FOLLOWS:

14          (1) The provisions of this section shall only apply to members who began  
 15          participating in the system prior to January 1, 2014, who have service in a  
 16          hazardous position.

17          (2) (a) A member who began participating prior to September 1, 2008, is eligible  
 18          for a retirement allowance determined under subsection (4)(a) of this  
 19          section for his or her service if:

20               1. The member has attained normal retirement age and has five (5) or  
 21               more years of service, at least one (1) of which is current service;

22               2. The member has twenty (20) or more years of service, at least fifteen  
 23               (15) of which are current service; or

24               3. The member has attained age fifty (50) and has fifteen (15) or more  
 25               years of service.

26          (b) In lieu of any other benefits due under KRS 78.510 to 78.852, a member  
 27          who began participating prior to September 1, 2008, who has attained

1 normal retirement age and who has obtained at least one (1) month of  
2 service credit but no more than fifty-nine (59) months of service may elect to  
3 receive an annual retirement allowance payable monthly or less frequently,  
4 as determined by the board, which shall be determined by multiplying his or  
5 her accumulated contributions by two (2) and converting this amount to an  
6 annual retirement allowance based on an annuity rate adopted by the board  
7 which would pay the actuarial equivalent of twice his or her accumulated  
8 contributions over the lifetime of the retired member.

9 (3) A member who began participating on or after September 1, 2008, but prior to  
10 January 1, 2014, is eligible for a retirement allowance determined under  
11 subsection (4)(b) of this section for his or her service if:

12 (a) The member has attained normal retirement age and has five (5) years of  
13 service credited under subsection (1) of Section 18 of this Act or another  
14 state-administered retirement system;

15 (b) The member has twenty-five (25) or more years of service credited under  
16 subsection (1) of Section 18 of this Act or another state-administered  
17 retirement system; or

18 (c) The member has attained age fifty (50) and has fifteen (15) years of service  
19 credited under subsection (1) of Section 18 of this Act or another state-  
20 administered retirement system.

21 (4) (a) A member of the system covered by this section who began participating  
22 prior to September 1, 2008, may elect to receive an annual retirement  
23 allowance, payable monthly during his or her lifetime, equal to two and  
24 five-tenths percent (2.5%) of final compensation for each year of service  
25 credit.

26 (b) A member of the system covered by this section, who begins participating in  
27 the system on or after September 1, 2008, but prior to January 1, 2014, shall

1 be eligible to receive an annual retirement allowance, payable monthly  
 2 during his or her lifetime, equal to:

3 1. One and three-tenths percent (1.3%) of final compensation for each  
 4 year of service credit if the employee has earned ten (10) or less years  
 5 of service at retirement;

6 2. One and one-half percent (1.5%) of final compensation for each year  
 7 of service credit if the employee has earned greater than ten (10) but  
 8 no more than twenty (20) years of service at retirement;

9 3. Two and one-quarter percent (2.25%) of final compensation for each  
 10 year of service credit if the employee has earned greater than twenty  
 11 (20) but less than twenty-five (25) years of service at retirement; or

12 4. Two and one-half percent (2.5%) of final compensation for each year  
 13 of service credit if the employee has earned twenty-five (25) or more  
 14 years of service at retirement.

15 (c) The annual retirement allowance determined under this subsection, shall:

16 1. Not be reduced for a member retiring under the provisions specified by  
 17 subsections (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and

18 2. Be reduced for a member retiring under the provisions specified by  
 19 subsections (2)(a)3. and (3)(c) of this section by an amount determined  
 20 by the board's actuary to reflect the earlier commencement of benefits.

21 ➔SECTION 33. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 22 TO READ AS FOLLOWS:

23 (1) A member of the County Employees Retirement System in a hazardous position  
 24 covered by this section, who begins participating in the system on or after  
 25 January 1, 2014, shall receive the retirement benefits provided by this section in  
 26 lieu of the retirement benefits provided under Section 32 of this Act. The  
 27 retirement benefit provided by this section shall be known as the hybrid cash

1 balance plan and shall operate as another benefit tier within the County  
2 Employees Retirement System.

3 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
4 member's accumulated account balance, which shall include:

5 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,  
6 except for employee contributions prescribed by subsection (3)(b) of Section  
7 50 of this Act;

8 (b) An employer pay credit of seven and one-half percent (7.5%) of the  
9 creditable compensation earned by the employee for each month the  
10 employee is contributing to the hybrid cash balance plan provided by this  
11 section; and

12 (c) Interest credits added annually to the member's accumulated account  
13 balance as provided by this section.

14 (3) (a) Member contributions and employer pay credits as provided by subsection  
15 (2)(a) and (b) of this section shall be credited to the member's account  
16 monthly as contributions are reported and posted to the system in  
17 accordance with Section 23 of this Act.

18 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
19 credited to the member's account annually on June 30 of each fiscal year,  
20 as determined by subsection (4) of this section.

21 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
22 contributed to the hybrid cash balance plan during the fiscal year.

23 (b) If the member contributed to the hybrid cash balance plan during the fiscal  
24 year, the interest credit added to the member's account for that fiscal year,  
25 shall be determined by multiplying the member's accumulated account  
26 balance on June 30 of the preceding fiscal year by a percentage increase  
27 equal to:

- 1           1. Four percent (4%); plus
- 2           2. Seventy-five percent (75%) of the system's geometric average net
- 3                   investment return in excess of a four percent (4%) rate of return.
- 4       (c) If the member did not contribute to the hybrid cash balance plan during the
- 5       fiscal year, the interest credit added to the member's account for that fiscal
- 6       year shall be determined by multiplying the member's accumulated account
- 7       balance on June 30 of the preceding fiscal year by four percent (4%).
- 8       (d) For purposes of this subsection, "system's geometric average net investment
- 9       return":
- 10           1. Means the annual average geometric investment return, net of
- 11                   administrative and investment fees and expenses, over the last five (5)
- 12                   fiscal years as of the date the interest is credited to the member's
- 13                   account; and
- 14           2. Shall be expressed as a percentage and based upon the system in
- 15                   which the member has an account.
- 16       (e) No employer pay credits or interest credits shall be provided to a member
- 17       who has taken a refund of contributions as provided by Section 45 of this
- 18       Act or who has retired and annuitized his or her accumulated account
- 19       balance as prescribed by this section.
- 20       (5) (a) Upon termination of employment, a member who has less than five (5)
- 21       years of service credited under subsection (1) of Section 18 of this Act, who
- 22       elects to take a refund of his or her accumulated account balance as
- 23       provided by Section 45 of this Act, shall forfeit the accumulated employer
- 24       credit, and shall only receive a refund of his or her accumulated
- 25       contributions.
- 26       (b) Upon termination of employment, a member who has five (5) or more years
- 27       of service credited under subsection (1) of Section 18 of this Act, who elects



1 to take a refund of his or her accumulated account balance as provided by  
 2 Section 45 of this Act, shall receive a full refund of his or her accumulated  
 3 account balance.

4 (6) A member participating in the hybrid cash balance plan provided by this section  
 5 may retire:

6 (a) At his or her normal retirement date, provided he or she has earned five (5)  
 7 or more years of service credited under subsection (1) of Section 18 of this  
 8 Act or another state-administered retirement system; or

9 (b) At any age, provided he or she has earned twenty-five (25) or more years of  
 10 service credited under subsection (1) of Section 18 of this Act, or another  
 11 state-administered retirement system.

12 (7) A member eligible to retire under subsection (6) of this section may elect to:

13 (a) Receive a monthly retirement allowance payable for life by having his or  
 14 her accumulated account balance annuitized by the system in accordance  
 15 with the actuarial assumptions and actuarial methods adopted by the board  
 16 and in effect on the member's retirement date;

17 (b) Receive the actuarial equivalent of his or her retirement allowance  
 18 calculated under paragraph (a) of this subsection payable under one (1) of  
 19 the options set forth in Section 34 of this Act; or

20 (c) Take a refund of his or her account balance as provided by Section 45 of  
 21 this Act.

22 (8) The provisions of this section shall not apply to members who began participating  
 23 in the system prior to January 1, 2014.

24 ➔SECTION 34. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 25 TO READ AS FOLLOWS:

26 (1) Each member shall have the right to elect to have his or her retirement allowance  
 27 payable under any one (1) of the options set forth in this section in lieu of the

- 1 retirement allowance otherwise payable to him or her upon retirement under any  
2 of the provisions of KRS 78.510 to 78.852. The amount of any optional retirement  
3 allowance shall be actuarially equivalent to the amount of retirement allowance  
4 otherwise payable to him.
- 5 (2) Survivorship one hundred percent (100%). The member may elect to receive a  
6 decreased retirement allowance during his or her lifetime and have the  
7 retirement allowance continued after his or her death to his or her beneficiary  
8 during the lifetime of the person.
- 9 (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to  
10 receive a decreased retirement allowance during his or her lifetime and have two-  
11 thirds (2/3) of the retirement allowance continue after his or her death to his or  
12 her beneficiary during the lifetime of the person.
- 13 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased  
14 retirement allowance during his or her lifetime and have one-half (1/2) of the  
15 retirement allowance continued after his or her death to his or her beneficiary  
16 during the lifetime of the person.
- 17 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may  
18 elect to receive a monthly retirement allowance during his or her lifetime which  
19 shall guarantee payments for one hundred twenty (120) months. If the member  
20 dies before receiving payments for one hundred twenty (120) months, his or her  
21 beneficiary shall receive the remaining payments monthly, for the duration of the  
22 one hundred twenty (120) month period. However, if the trust is designated as  
23 beneficiary, the trustee of the trust may elect to receive a lump-sum payment  
24 which shall be the actuarial equivalent to the remaining payments, or the trustee  
25 may elect to continue the remaining monthly payments to the trust of the  
26 member. If the estate is designated as beneficiary, the estate shall receive a lump-  
27 sum payment which shall be the actuarial equivalent to the remaining payments.

1 (6) Life with fifteen (15) years certain. The member less than age sixty-eight (68)  
2 may elect to receive a monthly retirement allowance during his or her lifetime  
3 which shall guarantee payments for one hundred eighty (180) months. If the  
4 member dies before receiving payments for one hundred eighty (180) months, his  
5 or her beneficiary shall receive the remaining payments monthly for the duration  
6 of the one hundred eighty (180) month period. However, if the trust is designated  
7 as beneficiary, the trustee of the trust may elect to receive a lump-sum payment  
8 which shall be the actuarial equivalent to the remaining payments, or the trustee  
9 may elect to continue the remaining payments to the trust of the member. If the  
10 estate is designated as beneficiary, the estate shall receive a lump-sum payment  
11 which shall be the actuarial equivalent to the remaining payments.

12 (7) Life with twenty (20) years certain. The member less than age sixty-two (62) may  
13 elect to receive a monthly retirement allowance during his or her lifetime which  
14 shall guarantee payments for two hundred forty (240) months. If the member dies  
15 before receiving payments for two hundred forty (240) months, his or her  
16 beneficiary shall receive the remaining payments for the duration of the two  
17 hundred forty (240) months period. However, if the trust is beneficiary, the  
18 trustee of the trust may elect to receive a lump-sum payment which shall be the  
19 actuarial equivalent to the remaining payments, or the trustee may elect to  
20 continue the remaining payments to the trust of the member. If the estate is  
21 designated as beneficiary, the estate shall receive a lump-sum payment which  
22 shall be the actuarial equivalent to the remaining payments.

23 (8) Social Security adjustment options. These options shall be available to any  
24 member who has not attained age sixty-two (62) as follows:

25 (a) No survivor rights. The member may elect to receive an increased  
26 retirement allowance from his or her effective retirement date through the  
27 month he attains age sixty-two (62) at which time his or her retirement

1 allowance shall be decreased for the remainder of his or her lifetime;

2 (b) Survivor rights. The member may elect to receive an increased retirement  
3 allowance from his or her effective retirement date through the month he or  
4 she attains age sixty-two (62) based on the option payable under subsection  
5 (2) of this section, if the retirement allowance shall be decreased in the  
6 month following the month he or she attains age sixty-two (62), or the  
7 month following the month he or she would have attained age sixty-two  
8 (62), in event of his or her death, and have the retirement allowance  
9 continue after his or her death to his or her beneficiary during the lifetime  
10 of the person.

11 (9) Beneficiary Social Security adjustment option. This option is available to the  
12 beneficiary of a deceased member if the beneficiary, who is a person, has not  
13 attained age sixty (60), and is eligible to receive Social Security payments at age  
14 sixty (60). The beneficiary may elect to receive during his or her lifetime an  
15 increased retirement allowance based on his or her annual benefit payable for  
16 life. The payment shall begin on his or her effective retirement date and continue  
17 through the month he or she attains age sixty (60) at which time his or her  
18 retirement allowance shall be decreased for the remainder of his or her lifetime.

19 (10) Pop-up option. The member may elect to receive a decreased retirement  
20 allowance during his or her lifetime and have the retirement allowance continued  
21 after his or her death to his or her beneficiary during the lifetime of the person. If  
22 the beneficiary dies prior to the member, or if the beneficiary is the member's  
23 spouse and they divorce, the member's retirement allowance shall increase to the  
24 amount that would have been payable as a single life annuity.

25 (11) Actuarial equivalent refund. A member who began participating in the system  
26 prior to January 1, 2014, may elect to receive a one (1) time lump-sum payment  
27 which shall be the actuarial equivalent of the amount payable for a period of

1 sixty (60) months under subsection (4) of Section 30 of this Act or subsection (4)  
2 of Section 32 of this Act.

3 (12) Partial lump-sum option.

4 (a) No survivor rights. A member retiring on or before January 1, 2009, may  
5 elect to receive a one-time lump-sum payment equal to twelve (12), twenty-  
6 four (24), or thirty-six (36) monthly retirement allowances payable under  
7 the applicable retirement formula for the system and receive a reduced  
8 monthly retirement allowance payable for his or her lifetime. The lump-sum  
9 payment shall be paid in the month the first monthly retirement allowance  
10 is payable.

11 (b) Survivor rights. A member retiring on or before January 1, 2009, may elect  
12 to receive a one-time lump-sum payment equal to twelve (12), twenty-four  
13 (24), or thirty-six (36) monthly retirement allowances payable under  
14 subsection (2) of this section and receive a reduced monthly retirement  
15 allowance payable for his or her lifetime. The lump-sum payment shall be  
16 paid in the month the first monthly retirement allowance is payable. The  
17 reduced retirement allowance shall be continued after the member's death  
18 to his or her beneficiary during the lifetime of the person.

19 (13) Ten (10) year certain option. A member in a hazardous position may elect to  
20 receive a monthly retirement allowance payable for ten (10) years certain. If the  
21 member should become deceased prior to the expiration of ten (10) years, his or  
22 her beneficiary, unless the beneficiary is the member's estate, shall receive the  
23 remaining payments monthly for the duration of the ten (10) years. If the  
24 member's estate is the beneficiary, the member's estate shall receive a lump-sum  
25 payment which shall be the actuarial equivalent to the remaining payments. The  
26 provisions of Section 50 of this Act notwithstanding, the member, his or her  
27 spouse, and eligible dependents shall continue to receive the insurance benefits to

1 which they are entitled pursuant to Section 50 of this Act after the expiration of  
 2 ten (10) years.

3 (14) The options described in subsections (2), (3), (4), (8)(b), (10), and (12)(b) of this  
 4 section shall be extended to the member only if the designated beneficiary is one  
 5 (1) person.

6 ➔SECTION 35. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 7 TO READ AS FOLLOWS:

8 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance  
 9 under KRS 78.510 to 78.852 shall have his or her retirement allowance increased  
 10 on July 1 of each year by the percentage increase in the annual average of the  
 11 consumer price index for all urban consumers for the most recent calendar year  
 12 as published by the federal Bureau of Labor Statistics, not to exceed five percent  
 13 (5%). In determining the annual employer contribution rate, only the cost of  
 14 increases granted as of the most recent valuation date shall be recognized. The  
 15 benefits of this subsection as provided on August 1, 1996, to July 1, 2008, shall  
 16 not be considered as benefits protected by the inviolable contract provisions of  
 17 Section 62 of this Act. The General Assembly reserves the right to suspend or  
 18 reduce the benefits conferred in this subsection if in their judgment the welfare of  
 19 the Commonwealth so demands.

20 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a  
 21 retirement allowance under KRS 78.510 to 78.852 shall have his or her  
 22 retirement allowance increased by one and one-half percent (1.5%), if:

23 1. The funding level of the pension fund is greater than one hundred  
 24 percent (100%) and subsequent legislation authorizes the use of any  
 25 surplus actuarial assets to provide an increase in retirement  
 26 allowances described by this subsection for the pension fund which  
 27 has the surplus actuarial assets; or

1           2. The General Assembly directs payment of employer contributions to  
2           fully prefund the increase described by this subsection in the year the  
3           increase is provided.

4           (b) The board of trustees of the system shall, at least thirty (30) days prior to the  
5           beginning of regular sessions of the General Assembly held in even-  
6           numbered years, advise the General Assembly of the following:

7           1. Which pension funds have a funding level greater than one hundred  
8           percent (100%) and can support an increase in recipients' retirement  
9           allowances as provided by paragraph (a) of this subsection over the  
10           next budget biennium without reducing the funding level of the  
11           pension fund below one hundred percent (100%); and

12           2. If no surplus actuarial assets are available, the level of employer  
13           contribution funds needed to fully prefund an increase for pension  
14           fund recipients over the next budget biennium if a one and one-half  
15           percent (1.5%) increase is provided annually over the biennium.

16           (c) For purposes of this subsection, "funding level" means the actuarial value  
17           of assets divided by the actuarially accrued liability expressed as a  
18           percentage that is determined and reported by the system's actuary in the  
19           system's actuarial valuation for each pension fund.

20           (d) The full increase described by this subsection shall only be provided if the  
21           recipient has been receiving a benefit for at least twelve (12) months prior to  
22           the effective date of the increase. If the recipient has been receiving a  
23           benefit for less than twelve (12) months prior to the effective date of the  
24           increase provided by this subsection, the increase shall be reduced on a pro  
25           rata basis for each month the recipient has not been receiving benefits in  
26           the twelve (12) months preceding the effective date of the increase.

27           (e) The benefits of this subsection as provided on July 1, 2009, and thereafter

1           shall not be considered as benefits protected by the inviolable contract  
2           provisions of Section 62 of this Act. The General Assembly reserves the  
3           right to suspend or reduce the benefits conferred in this subsection if, in its  
4           judgment, the welfare of the Commonwealth so demands.

5           ➔SECTION 36. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
6 TO READ AS FOLLOWS:

7           (1) The disability retirement provisions contained in this section shall apply to a  
8           person with service in a nonhazardous position.

9           (2) Any person may qualify to retire on disability, subject to the following conditions:

10           (a) The person shall have sixty (60) months of service, twelve (12) of which  
11           shall be current service credited under subsection (1) of Section 18 of this  
12           Act;

13           (b) For a person whose membership date is prior to August 1, 2004, the person  
14           shall not be eligible for an unreduced retirement allowance;

15           (c) The person's application shall be on file in the retirement office no later  
16           than twenty-four (24) months after the person's last day of paid employment  
17           in a regular full-time position, as defined in Section 12 of this Act; and

18           (d) The person shall receive a satisfactory determination pursuant to Section 40  
19           of this Act.

20           (3) A person's disability reapplication based on the same claim of incapacity shall be  
21           accepted and reconsidered for disability if accompanied by new objective medical  
22           evidence. The reapplication shall be on file in the retirement office no later than  
23           twenty-four (24) months after the person's last day of paid employment in a  
24           regular full-time position.

25           (4) Upon the examination of the objective medical evidence by licensed physicians  
26           pursuant to Section 40 of this Act, it shall be determined whether:

27           (a) The person, since his or her last day of paid employment, has been mentally



1 or physically incapacitated to perform the job, or jobs of like duties, from  
2 which he or she received his or her last paid employment. In determining  
3 whether the person may return to a job of like duties, any reasonable  
4 accommodation by the employer as provided in 42 U.S.C. sec. 12111(9) and  
5 29 C.F.R. pt. 1630 shall be considered;

6 (b) The incapacity is a result of bodily injury, mental illness, or disease. For  
7 purposes of this section, "injury" means any physical harm or damage to  
8 the human organism other than disease or mental illness;

9 (c) The incapacity is deemed to be permanent; and

10 (d) The incapacity does not result directly or indirectly from bodily injury,  
11 mental illness, disease, or condition which pre-existed membership in the  
12 system or reemployment, whichever is most recent. For purposes of this  
13 subsection, reemployment shall not mean a change of employment between  
14 employers participating in the state-administered retirement systems with no  
15 loss of service credit.

16 (5) Paragraph (d) of subsection (4) of this section shall not apply if:

17 (a) The incapacity is a result of bodily injury, mental illness, disease, or  
18 condition which has been substantially aggravated by an injury or accident  
19 arising out of or in the course of employment; or

20 (b) The person has at least sixteen (16) years' current or prior service for  
21 employment with employers participating in the state-administered  
22 retirement systems.

23 (6) (a) 1. An incapacity shall be deemed to be permanent if it is expected to  
24 result in death or can be expected to last for a continuous period of  
25 not less than twelve (12) months from the person's last day of paid  
26 employment in a regular full-time position.

27 2. The determination of a permanent incapacity shall be based on the

1           medical evidence contained in the member's file and the member's  
2           residual functional capacity and physical exertion requirements.

3       **(b) The person's residual functional capacity shall be the person's capacity for**  
4       **work activity on a regular and continuing basis. The person's physical**  
5       **ability shall be assessed in light of the severity of the person's physical,**  
6       **mental, and other impairments. The person's ability to walk, stand, carry,**  
7       **push, pull, reach, handle, and perform other physical functions shall be**  
8       **considered with regard to physical impairments. The person's ability to**  
9       **understand, remember, and carry out instructions and respond**  
10       **appropriately to supervision, coworkers, and work pressures in a work**  
11       **setting shall be considered with regard to mental impairments. Other**  
12       **impairments, including skin impairments, epilepsy, visual sensory**  
13       **impairments, postural and manipulative limitations, and environmental**  
14       **restrictions, shall be considered in conjunction with the person's physical**  
15       **and mental impairments to determine residual functional capacity.**

16       **(c) The person's physical exertion requirements shall be determined based on**  
17       **the following standards:**

18       **1. Sedentary work shall be work that involves lifting no more than ten**  
19       **(10) pounds at a time and occasionally lifting or carrying articles such**  
20       **as large files, ledgers, and small tools. Although a sedentary job**  
21       **primarily involves sitting, occasional walking and standing may also**  
22       **be required in the performance of duties;**

23       **2. Light work shall be work that involves lifting no more than twenty**  
24       **(20) pounds at a time with frequent lifting or carrying of objects**  
25       **weighing up to ten (10) pounds. A job shall be in this category if**  
26       **lifting is infrequently required but walking and standing are**  
27       **frequently required, or if the job primarily requires sitting with**

1           pushing and pulling of arm or leg controls. If the person has the  
2           ability to perform substantially all of these activities, the person shall  
3           be deemed capable of light work. A person deemed capable of light  
4           work shall be deemed capable of sedentary work unless the person has  
5           additional limitations such as the loss of fine dexterity or inability to  
6           sit for long periods;

7           3. Medium work shall be work that involves lifting no more than fifty  
8           (50) pounds at a time with frequent lifting or carrying of objects  
9           weighing up to twenty-five (25) pounds. If the person is deemed  
10           capable of medium work, the person shall be deemed capable of light  
11           and sedentary work;

12           4. Heavy work shall be work that involves lifting no more than one  
13           hundred (100) pounds at a time with frequent lifting or carrying of  
14           objects weighing up to fifty (50) pounds. If the person is deemed  
15           capable of heavy work, the person shall also be deemed capable of  
16           medium, light, and sedentary work; and

17           5. Very heavy work shall be work that involves lifting objects weighing  
18           more than one hundred (100) pounds at a time with frequent lifting or  
19           carrying of objects weighing fifty (50) or more pounds. If the person is  
20           deemed capable of very heavy work, the person shall be deemed  
21           capable of heavy, medium, light, and sedentary work.

22           (7) Upon disability retirement from a nonhazardous position, an employee may  
23           receive a disability retirement allowance during his or her lifetime which shall  
24           be:

25           (a) For a member who began participating in the system prior to August 1,  
26           2004, an annual retirement allowance payable monthly and determined in  
27           the same manner as for retirement at his normal retirement date with years

1 of service and final compensation being determined as of the date of his or  
2 her disability, except that service credit shall be added to the person's total  
3 service beginning with his or her last date of paid employment and  
4 continuing to his or her sixty-fifth birthday; however, the maximum service  
5 credit added shall not exceed the total service the person had upon his or  
6 her last day of paid employment, and the maximum combined service credit  
7 for calculating his or her disability retirement allowance, including total  
8 service and added service shall not exceed twenty-five (25) years. If,  
9 however, a person covered by this paragraph has accumulated twenty-five  
10 (25) or more years of total service, he or she shall receive added service  
11 necessary to bring his or her combined service credit, including total and  
12 added service, to twenty-seven (27) years;

13 (b) For a member who began participating on or after August 1, 2004, but prior  
14 to January 1, 2014, the higher of twenty percent (20%) of the member's  
15 monthly final rate of pay or the monthly retirement allowance determined  
16 in the same manner as for retirement at his or her normal retirement date  
17 with years of service and final compensation being determined as of the  
18 date of his or her disability; or

19 (c) For a member who begins participating on or after January 1, 2014, in the  
20 hybrid cash balance plan as provided by Section 31 of this Act, the higher of  
21 twenty percent (20%) of the member's monthly final rate of pay or the  
22 retirement allowance determined in the same manner as for retirement at  
23 his or her normal retirement date under Section 31 of this Act.

24 (8) A person with service in a nonhazardous position who is disabled due to an act in  
25 line of duty shall be eligible for benefits based upon the criteria and requirements  
26 specified by Section 92 of this Act.

27 ➔SECTION 37. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED

1 TO READ AS FOLLOWS:

2 (1) The disability retirement provisions contained in this section shall apply to a  
3 person with service in a hazardous position.

4 (2) (a) For purposes of this section, "total and permanent disability" means a  
5 disability which results in the member's incapacity to engage in any  
6 occupation for remuneration or profit. Loss by severance of both hands at  
7 or above the wrists, or both feet at or above the ankles, or one (1) hand  
8 above the wrist and one (1) foot above the ankle, or the complete,  
9 irrevocable loss of the sight of both eyes shall be considered as total and  
10 permanent.

11 (b) In determining whether the disability meets the requirement of this section,  
12 any reasonable accommodation provided by the employer as provided in 42  
13 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630 shall be considered.

14 (c) If the board determines that the total and permanent disability of a member  
15 receiving a retirement allowance under this section has ceased, then the  
16 board shall determine if the member has a hazardous disability as defined  
17 by Section 12 of this Act.

18 (3) Any person may qualify to retire on disability, subject to the following:

19 (a) The person shall have sixty (60) months of service, twelve (12) of which  
20 shall be current service credited under subsection (1) of Section 18 of this  
21 Act. The service requirement shall be waived if the disability is a total and  
22 permanent disability or a hazardous disability and is a direct result of an act  
23 in line of duty;

24 (b) For a person whose membership date is prior to August 1, 2004, the person  
25 shall not be eligible for an unreduced retirement allowance;

26 (c) The person's application shall be on file in the retirement office no later  
27 than twenty-four (24) months after the person's last day of paid

1           employment, as defined in Section 12 of this Act, in a regular full-time  
2           position that has been approved as a hazardous position in accordance with  
3           Section 16 of this Act;

4           (d) The person shall receive a satisfactory determination pursuant to Section 40  
5           of this Act; and

6           (e) A person's disability application based on the same claim of incapacity shall  
7           be accepted and reconsidered for disability if accompanied by new objective  
8           medical evidence. The application shall be on file in the retirement office no  
9           later than twenty-four (24) months after the person's last day of paid  
10           employment in a regular full-time hazardous position.

11          (4) Upon the examination of the objective medical evidence by licensed physicians  
12          pursuant to Section 40 of this Act, it shall be determined that:

13          (a) The incapacity results from bodily injury, mental illness, or disease. For  
14          purposes of this section, "injury" means any physical harm or damage to  
15          the human organism other than disease or mental illness;

16          (b) The incapacity is deemed to be permanent; and

17          (c) The incapacity does not result directly or indirectly from:

18                  1. Injury intentionally self-inflicted while sane or insane;

19                  2. Injury or disease resulting from military service; or

20                  3. Bodily injury, mental illness, disease, or condition which pre-existed  
21                  membership in the system or reemployment, whichever is most recent,  
22                  unless:

23                          a. The disability results from bodily injury, mental illness, disease,  
24                          or a condition which has been substantially aggravated by an  
25                          injury or accident arising out of or in the course of employment;  
26                          or

27                          b. The person has at least sixteen (16) years' current or prior

1 service for employment with employers participating in the state-  
2 administered retirement systems.

3 For purposes of this subparagraph, "reemployment" does not mean a  
4 change of employment between employers participating in the state-  
5 administered retirement systems with no loss of service credit.

6 (5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to  
7 result in death or can be expected to last for a continuous period of  
8 not less than twelve (12) months from the person's last day of paid  
9 employment in a hazardous position.

10 2. The determination of a permanent incapacity shall be based on the  
11 medical evidence contained in the member's file and the member's  
12 residual functional capacity and physical exertion requirements.

13 (b) The person's residual functional capacity shall be the person's capacity for  
14 work activity on a regular and continuing basis. The person's physical  
15 ability shall be assessed in light of the severity of the person's physical,  
16 mental, and other impairments. The person's ability to walk, stand, carry,  
17 push, pull, reach, handle, and perform other physical functions shall be  
18 considered with regard to physical impairments. The person's ability to  
19 understand, remember, and carry out instructions and respond  
20 appropriately to supervision, coworkers, and work pressures in a work  
21 setting shall be considered with regard to mental impairments. Other  
22 impairments, including skin impairments, epilepsy, visual sensory  
23 impairments, postural and manipulative limitations, and environmental  
24 restrictions, shall be considered in conjunction with the person's physical  
25 and mental impairments to determine residual functional capacity.

26 (c) The person's physical exertion requirements shall be determined based on  
27 the following standards:

- 1           1. Sedentary work shall be work that involves lifting no more than ten  
2           (10) pounds at a time and occasionally lifting or carrying articles such  
3           as large files, ledgers, and small tools. Although a sedentary job  
4           primarily involves sitting, occasional walking and standing may also  
5           be required in the performance of duties;
- 6           2. Light work shall be work that involves lifting no more than twenty  
7           (20) pounds at a time with frequent lifting or carrying of objects  
8           weighing up to ten (10) pounds. A job shall be in this category if  
9           lifting is infrequently required but walking and standing are  
10           frequently required, or if the job primarily requires sitting with  
11           pushing and pulling of arm or leg controls. If the person has the  
12           ability to perform substantially all of these activities, the person shall  
13           be deemed capable of light work. A person deemed capable of light  
14           work shall be deemed capable of sedentary work unless the person has  
15           additional limitations such as the loss of fine dexterity or inability to  
16           sit for long periods;
- 17           3. Medium work shall be work that involves lifting no more than fifty  
18           (50) pounds at a time with frequent lifting or carrying of objects  
19           weighing up to twenty-five (25) pounds. If the person is deemed  
20           capable of medium work, the person shall be deemed capable of light  
21           and sedentary work;
- 22           4. Heavy work shall be work that involves lifting no more than one  
23           hundred (100) pounds at a time with frequent lifting or carrying of  
24           objects weighing up to fifty (50) pounds. If the person is deemed  
25           capable of heavy work, the person shall also be deemed capable of  
26           medium, light, and sedentary work; and
- 27           5. Very heavy work shall be work that involves lifting objects weighing



1                   more than one hundred (100) pounds at a time with frequent lifting or  
2                   carrying of objects weighing fifty (50) or more pounds. If the person is  
3                   deemed capable of very heavy work, the person shall be deemed  
4                   capable of heavy, medium, light, and sedentary work.

5 (6) Upon disability retirement from a hazardous position, an employee may receive a  
6 disability retirement allowance payable during his or her lifetime which shall be:

7 (a) For a member who began participating in the system prior to August 1,  
8 2004, an annual retirement allowance payable monthly and determined in  
9 the same manner as for retirement at his normal retirement date with years  
10 of service and final compensation being determined as of the date of his  
11 disability, except if the member's total service credit on his last day of paid  
12 employment in a regular full-time position is less than twenty (20) years,  
13 service shall be added beginning with his or her last date of paid  
14 employment and continuing to his or her fifty-fifth birthday. The maximum  
15 service credit added shall not exceed the total service the member had on his  
16 or her last day of paid employment, and the maximum service credit for  
17 calculating his or her retirement allowance, including his or her total  
18 service and service added under this section, shall not exceed twenty (20)  
19 years;

20 (b) For a member who begins participating on or after August 1, 2004, but  
21 prior to January 1, 2014, the higher of twenty-five percent (25%) of the  
22 member's monthly final rate of pay or the retirement allowance determined  
23 in the same manner as for retirement at his or her normal retirement date  
24 with years of service and final compensation being determined as of the  
25 date of his or her disability; or

26 (c) For a member who begins participating on or after January 1, 2014, in the  
27 hybrid cash balance plan as provided by Section 33 of this Act, the disability

1           retirement allowance shall be the higher of twenty-five percent (25%) of the  
2           member's monthly final rate of pay or the retirement allowance determined  
3           in the same manner as for retirement at his or her normal retirement date  
4           under Section 33 of this Act.

5   (7) If the member receives a satisfactory determination of total and permanent  
6   disability or hazardous disability pursuant to Section 40 of this Act and the  
7   disability is the direct result of an act in line of duty, the member's retirement  
8   allowance shall be calculated as follows:

9           (a) For the disabled member, benefits as provided in subsection (6) of this  
10          section except that the monthly retirement allowance payable shall not be  
11          less than twenty-five percent (25%) of the member's monthly final rate of  
12          pay; and

13          (b) For each dependent child of the member on his or her disability retirement  
14          date, who is alive at the time any particular payment is due, a monthly  
15          payment equal to ten percent (10%) of the disabled member's monthly final  
16          rate of pay; however, total maximum dependent children's benefit shall not  
17          exceed forty percent (40%) of the member's monthly final rate of pay. The  
18          payments shall be payable to each dependent child, or to a legally appointed  
19          guardian or as directed by the system.

20   (8) No benefit provided in this section shall be reduced as a result of any change in  
21   the extent of disability of any retired member who is normal retirement age or  
22   older.

23   (9) If a regular full-time member in a hazardous position has been approved for  
24   benefits under a hazardous disability, the board shall, upon request of the  
25   member, permit the member to receive the hazardous disability allowance while  
26   accruing benefits in a nonhazardous position, subject to proper medical review of  
27   the nonhazardous position's job description by the system's medical examiner.

1       ➔SECTION 38. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
2 TO READ AS FOLLOWS:

3 (1) Once each year following the retirement of a person on a disability retirement  
4 allowance, or less frequently as determined by the board's medical examiner but  
5 not less than once every five (5) years, the system may require the person, prior to  
6 his or her normal retirement date, to undergo an employment and medical staff  
7 review and, if necessary, be required to file at the retirement office on the review  
8 form prescribed by the board current employment information and current  
9 medical information for the bodily injury, mental illness, or disease for which he  
10 or she receives a disability retirement allowance. The person shall have one  
11 hundred eighty (180) days from the day the system mailed the review form to the  
12 person's last address on file in the retirement office to file at the retirement office  
13 the review form and the current employment and medical information. The  
14 person shall certify to the retirement office that the review form, including  
15 current employment and medical information, is ready to be evaluated by the  
16 medical examiner in accordance with Section 39 of this Act.

17 (2) If, after good faith efforts, the person informs the system that he or she has been  
18 unable to obtain the employment or medical information, the system shall assist  
19 the person in obtaining the records and may use the authority granted pursuant  
20 to subsection (1) of Section 27 of this Act to obtain the records.

21 (3) If the person fails or refuses to file at the retirement office the review form,  
22 including the current employment and medical information, his or her retirement  
23 allowance shall be discontinued or reduced on the first day of the month  
24 following the expiration of the one hundred eighty (180) days from the day the  
25 system mailed the review form to the person's last address on file in the  
26 retirement office. The system shall send notice of the discontinuance or reduction  
27 of the disability retirement allowance by United States first-class mail to the

1 person's last address on file in the retirement office. If the person's benefits are  
2 discontinued or reduced under this section, his or her rights to further disability  
3 retirement allowances shall cease, except as provided by Section 39 of this Act.

4 ➔SECTION 39. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
5 TO READ AS FOLLOWS:

6 (1) If the board's medical examiner determines that a recipient of a disability  
7 retirement allowance is, prior to his or her normal retirement date, employed in a  
8 position with the same or similar duties, or in a position with duties requiring  
9 greater residual functional capacity and physical exertion, as the position from  
10 which he or she was disabled, except where the recipient has returned to work on  
11 a trial basis not to exceed nine (9) months, the system may reduce or discontinue  
12 the retirement allowance. Each recipient of a disability retirement allowance who  
13 is engaged in gainful employment shall notify the system of any employment;  
14 otherwise, the system shall have the right to recover payments of a disability  
15 retirement allowance made during the employment.

16 (2) If the board's medical examiner determines that a recipient of a disability  
17 retirement allowance is, prior to his or her normal retirement date, no longer  
18 incapacitated by the bodily injury, mental illness, or disease for which he or she  
19 receives a disability retirement allowance, the board may reduce or discontinue  
20 the retirement allowance.

21 (3) (a) The system shall have full power and exclusive authority to reduce or  
22 discontinue a disability retirement allowance and the system shall utilize the  
23 services of a medical examiner as provided in Section 40 of this Act, in  
24 determining whether to continue, reduce, or discontinue a disability  
25 retirement allowance under this section.

26 (b) The system shall select a medical examiner to evaluate the forms and  
27 medical information submitted by the person. If there is objective medical

1 evidence of a mental impairment, the medical examiner may request the  
2 board's licensed mental health professional to assist in determining the  
3 level of the mental impairment.

4 (c) The medical examiner shall be paid a reasonable amount by the retirement  
5 system for each case evaluated.

6 (d) 1. The medical examiner shall recommend that disability retirement  
7 allowance be continued, reduced, or discontinued.

8 2. If the medical examiner recommends that the disability retirement  
9 allowance be continued, the system shall make retirement payments in  
10 accordance with the retirement plan selected by the person.

11 3. a. If the medical examiner recommends that the disability  
12 retirement allowance be reduced or discontinued, the system  
13 shall send notice of the recommendation by United States first-  
14 class mail to the person's last address on file in the retirement  
15 office.

16 b. The person shall have sixty (60) days from the day that the  
17 system mailed the notice to file at the retirement office additional  
18 supporting employment or medical information and certify to the  
19 retirement office that the forms and additional supporting  
20 employment information or medical information are ready to be  
21 evaluated by the medical examiner or to appeal the  
22 recommendation of the medical examiner to reduce or  
23 discontinue the disability retirement allowance by filing at the  
24 retirement office a request for a formal hearing.

25 c. If the person fails or refuses to file at the retirement office the  
26 forms, the additional supporting employment information, and  
27 current medical information or to appeal the recommendation of

1 the medical examiners to reduce or discontinue the disability  
2 retirement allowance, his or her retirement allowance shall be  
3 discontinued on the first day of the month following the  
4 expiration of the period of the sixty (60) days from the day the  
5 system mailed the notice of the recommendation to the person's  
6 last address on file in the retirement office.

7 (e) 1. The medical examiner shall make a recommendation based upon the  
8 evaluation of additional supporting medical information submitted in  
9 accordance with paragraph (d)3.a. of this subsection.

10 2. If the medical examiner recommends that the disability retirement  
11 allowance be continued, the system shall make disability retirement  
12 payments in accordance with the retirement plan selected by the  
13 person.

14 3. a. If the medical examiner recommends that the disability  
15 retirement allowance be reduced or discontinued based upon the  
16 evaluation of additional supporting medical information, the  
17 system shall send notice of this recommendation by United States  
18 first-class mail to the person's last address on file in the  
19 retirement office.

20 b. The person shall have sixty (60) days from the day that the  
21 system mailed the notice of the recommendation to appeal the  
22 recommendation to reduce or discontinue the disability  
23 retirement allowance by filing at the retirement office a request  
24 for formal hearing.

25 c. If the person fails or refuses to appeal the recommendation of  
26 the medical examiners to reduce or discontinue the disability  
27 retirement allowance, his retirement allowance shall be

1                   discontinued on the first day of the month following the  
2                   expiration of the period of the sixty (60) days from the day the  
3                   system mailed the notice of the recommendation to the person's  
4                   last address on file in the retirement office.

5           (f) Any person whose disability benefits have been reduced or discontinued,  
6           pursuant to paragraph (d)3. or (e)3. of this subsection, may file at the  
7           retirement office a request for formal hearing to be conducted in  
8           accordance with KRS Chapter 13B. The right to demand a formal hearing  
9           shall be limited to a period of sixty (60) days after the person had notice, as  
10           described in paragraph (d) or (e) of this subsection. The request for formal  
11           hearing shall be filed with the system, at the retirement office in Frankfort.  
12           The request for formal hearing shall include a short and plain statement of  
13           the reasons the reduction, discontinuance, or denial of disability retirement  
14           is being contested.

15           (g) Failure of the person to request a formal hearing within the period of time  
16           specified shall preclude the person from proceeding any further with  
17           contesting the reduction or discontinuation of disability retirement  
18           allowance, except as provided in subsection (6)(d) of this section. This  
19           paragraph shall not limit the person's right to appeal to a court.

20           (h) A final order of the board shall be based on substantial evidence appearing  
21           in the record as a whole and shall set forth the decision of the board and the  
22           facts and law upon which the decision is based. If the board orders that the  
23           person's disability retirement allowance be discontinued or reduced, the  
24           order shall take effect on the first day of the month following the day the  
25           system mailed the order to the person's last address on file in the retirement  
26           office. Judicial review of the final board order shall not operate as a stay  
27           and the system shall discontinue or reduce the person's disability retirement

1 allowance as provided in this section.

2 (i) Notwithstanding any other provisions of this section, the system may  
3 require the person to submit to one (1) or more medical or psychological  
4 examinations at any time. The system shall be responsible for any costs  
5 associated with any examinations of the person requested by the medical  
6 examiner or the system for the purpose of providing medical information  
7 deemed necessary by the medical examiner or the system. Notice of the time  
8 and place of the examination shall be mailed to the person or his or her  
9 legal representative. If the person fails or refuses to submit to one (1) or  
10 more medical examinations, his or her rights to further disability retirement  
11 allowance shall cease.

12 (j) All requests for a hearing pursuant to this section shall be made in writing.

13 (4) The board may establish an appeals committee whose members shall be  
14 appointed by the chair and who shall have the authority to act upon the  
15 recommendations and reports of the hearing officer pursuant to this section on  
16 behalf of the board.

17 (5) Any person aggrieved by a final order of the board may seek judicial review after  
18 all administrative appeals have been exhausted by filing a petition for judicial  
19 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

20 (6) If a disability retirement allowance is reduced or discontinued for a person who  
21 began participating in the system prior to January 1, 2014, the person may apply  
22 for early retirement benefits as provided under Section 30 or 32 of this Act, as  
23 applicable, subject to the following provisions:

24 (a) The person may not change his or her beneficiary or payment option;

25 (b) If the person has returned to employment with an employer participating in  
26 the system, the service and creditable compensation shall be used in  
27 recomputing his or her benefit, except that the person's final compensation



1           shall not be less than the final compensation last used in determining his or  
2           her retirement allowance;

3           (c) The benefit shall be reduced as provided by subsection (4) of Section 30 of  
4           this Act or subsection (4) of Section 32 of this Act;

5           (d) The person shall remain eligible for reinstatement of his or her disability  
6           allowance upon reevaluation by the medical review board until his or her  
7           normal retirement age. The person shall apply for reinstatement of  
8           disability benefits in accordance with the provisions of this section. An  
9           application for reinstatement of disability benefits shall be administered as  
10           an application under Section 36 or 37 of this Act, as applicable, and only  
11           the bodily injuries, mental illnesses, diseases, or conditions for which the  
12           person was originally approved for disability benefits shall be considered.  
13           Bodily injuries, mental illnesses, diseases, or conditions that came into  
14           existence after the person's last day of paid employment shall not be  
15           considered as a basis for reinstatement of disability benefits. Bodily injuries,  
16           mental illnesses, diseases, or conditions alleged by the person as being  
17           incapacitating, but which were not the basis for the award of disability  
18           retirement benefits, shall not be considered. If the person establishes that  
19           the disability benefits should be reinstated, the system shall pay disability  
20           benefits effective from the first day of the month following the month in  
21           which the person applied for reinstatement of the disability benefits; and

22           (e) Upon attaining normal retirement age, the person shall receive the higher  
23           of either his or her disability retirement allowance or his or her early  
24           retirement allowance.

25           (7) No disability retirement allowance shall be reduced or discontinued by the system  
26           after the person's normal retirement date except in case of reemployment as  
27           provided for by Section 52 of this Act. If a disability retirement allowance has

1 been reduced or discontinued, except if the person is reemployed as provided for  
2 by Section 52 of this Act, the retirement allowance shall be reinstated upon  
3 attainment of the person's normal retirement date to the retirement allowance  
4 prior to adjustment. No reinstated payment shall be less than the person is  
5 receiving upon attainment of the person's normal retirement date.

6 ➔SECTION 40. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
7 TO READ AS FOLLOWS:

8 (1) The board shall employ at least three (3) physicians, licensed in the state and not  
9 members of the system, upon terms and conditions it prescribes to serve as  
10 medical examiners, whose duty it shall be to pass upon all medical examinations  
11 required under KRS 78.510 to 78.852, to investigate all health or medical  
12 statements and certificates made by or in behalf of any person in connection with  
13 the payment of money to the person under KRS 78.510 to 78.852, and to report in  
14 writing to the system the conclusions and recommendations upon all matters  
15 referred to them. The board may employ one (1) or more licensed mental health  
16 professionals in making recommendations regarding mental impairments.

17 (2) (a) Each person requesting disability retirement shall file at the retirement  
18 office an application for disability retirement and supporting medical  
19 information to report the person's physical and mental condition. The  
20 person shall also file at the retirement office a complete description of the  
21 job and duties from which he or she received his or her last pay as well as  
22 evidence that the person has made a request for reasonable accommodation  
23 as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630. The  
24 person shall certify to the retirement office that the application for disability  
25 retirement and supporting medical information are ready to be evaluated by  
26 the medical examiners in accordance with paragraph (d) of this subsection.  
27 If, after good faith efforts, the person informs the system that he or she has

1 been unable to obtain the employment or medical information, the system  
2 shall assist the person in obtaining the records and may use the authority  
3 granted pursuant to subsection (1) of Section 27 of this Act to obtain the  
4 records. If the person fails to file, at the retirement office within one  
5 hundred eighty (180) days of the date the person filed his or her notification  
6 of retirement, any of the forms, certifications, or information required by  
7 this subsection, the person's application for disability retirement shall be  
8 void. Any subsequent filing of an application for disability retirement or  
9 supporting medical information shall not be evaluated, except as provided  
10 in paragraph (f) of this subsection or subsection (3) of Section 36 of this Act  
11 or paragraph (3)(e) of Section 37 of this Act.

12 (b) The employer shall file at the retirement office a complete description of the  
13 job and duties for which the person was last paid and shall submit a  
14 detailed description of reasonable accommodations attempted.

15 (c) The cost of medical examinations and the filing of the medical information,  
16 reports, or data with the retirement office shall be paid by the person  
17 applying for disability retirement.

18 (d) The system shall select three (3) medical examiners to evaluate the medical  
19 evidence submitted by the person. The medical examiners shall recommend  
20 that disability retirement be approved, or that disability retirement be  
21 denied. If there is evidence of a mental impairment, the medical examiners  
22 may request the board's licensed mental health professional to assist in  
23 determining the level of the mental impairment.

24 (e) If two (2) or more of the three (3) medical examiners recommend that the  
25 person be approved for disability retirement, the system shall make  
26 retirement payments in accordance with the retirement plan selected by the  
27 person.

1 (f) If two (2) or more of the three (3) medical examiners recommend that the  
2 person be denied disability retirement, the system shall send notice of this  
3 recommendation by United States first-class mail to the person's last  
4 address on file in the retirement office. The person shall have one hundred  
5 eighty (180) days from the day that the system mailed the notice to file at the  
6 retirement office additional supporting medical information and certify to  
7 the retirement office that the application for disability retirement and  
8 supporting medical information are ready to be evaluated by the medical  
9 examiners or to appeal his or her denial of disability retirement by filing at  
10 the retirement office a request for a formal hearing. Any subsequent filing  
11 of an application for disability retirement or supporting medical  
12 information shall not be evaluated, except as provided in subsection (3) of  
13 Section 36 of this Act or subsection (3)(e) of Section 37 of this Act.

14 (g) If two (2) or more of the three (3) medical examiners recommend that the  
15 person be approved for disability retirement based upon the evaluation of  
16 additional supporting medical information in accordance with paragraph  
17 (f) of this subsection, the system shall make retirement payments in  
18 accordance with the retirement plan selected by the person.

19 (h) If two (2) or more of the three (3) medical examiners recommend that the  
20 person be denied disability retirement based upon the evaluation of  
21 additional supporting medical information in accordance with paragraph  
22 (f) of this subsection, the system shall send notice of this recommendation  
23 by United States first-class mail to the person's last address on file in the  
24 retirement office. The person shall have one hundred eighty (180) days  
25 from the day that the system mailed the notice to appeal his or her denial of  
26 disability retirement by filing at the retirement office a request for a formal  
27 hearing.

- 1        (i) The medical examiners shall be paid a reasonable amount by the retirement  
2        system for each case evaluated.
- 3        (j) Notwithstanding the foregoing provisions of this section, the system may  
4        pay for one (1) or more medical examinations of the person requested by the  
5        medical examiners for the purpose of providing medical information  
6        deemed necessary by the medical examiners. The system may require the  
7        person to submit to one (1) or more medical examinations.
- 8        (3) (a) Any person whose disability benefits have been reduced, discontinued, or  
9        denied pursuant to subsection (2)(f) or (h) of this section may file at the  
10       retirement office a request for a formal hearing to be conducted in  
11       accordance with KRS Chapter 13B. The right to demand a formal hearing  
12       shall be limited to a period of one hundred eighty (180) days after the  
13       person had notice of the system's determination, as described in subsection  
14       (2)(f) or (h) of this section. The request for a formal hearing shall be filed  
15       with the executive director, at the retirement office in Frankfort. The  
16       request for a formal hearing shall include a short and plain statement of the  
17       reasons the denial of disability retirement is being contested.
- 18       (b) Failure of the person to request a formal hearing within the period of time  
19       specified shall preclude the person from proceeding any further with the  
20       application for disability retirement, except as provided in subsection (3) of  
21       Section 36 of this Act or subsection (3)(e) of Section 37 of this Act. This  
22       paragraph shall not limit the person's right to appeal to a court.
- 23       (c) The system may require the person requesting the formal hearing to submit  
24       to one (1) or more medical or psychological examinations. Notice of the  
25       time and place of the examination shall be mailed to the person or his or  
26       her legal representative. The system shall be responsible for the cost of the  
27       examination.

1        (d) A final order of the board shall be based on substantial evidence appearing  
2                                    in the record as a whole and shall set forth the decision of the board and the  
3                                    facts and law upon which the decision is based.

4        (e) All requests for a hearing pursuant to this section shall be made in writing.

5        (4) The board may establish an appeals committee whose members shall be  
6                                    appointed by the chair and who shall have the authority to act upon the  
7                                    recommendations and reports of the hearing officer pursuant to this section on  
8                                    behalf of the board.

9        (5) Any person aggrieved by a final order of the board may seek judicial review after  
10                                   all administrative appeals have been exhausted by filing a petition for judicial  
11                                   review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

12       (6) (a) The system, pursuant to administrative regulations, may refer an employee  
13                                   determined by it to be disabled to the Kentucky Office of Vocational  
14                                   Rehabilitation for evaluation and, if appropriate, retraining.

15       (b) The cost of the evaluation and retraining shall be paid by the system in  
16                                   accordance with the administrative regulations established by the board.

17       (c) The member shall perform all acts that are necessary to enroll in and satisfy  
18                                   the requirements of Vocational Rehabilitation as prescribed by the board.  
19                                   This shall include the exchange of confidential information between  
20                                   County Employees Retirement System and the Kentucky Office of  
21                                   Vocational Rehabilitation as necessary to conduct the rehabilitation  
22                                   process. Failure of the member to cooperate with the system or Vocational  
23                                   Rehabilitation may result in his or her disability allowance being  
24                                   discontinued, reduced, or denied until the member complies with the agency  
25                                   requests. If the refusal continues for one (1) year, all his or her rights to any  
26                                   further disability allowance shall cease.

27       ➔SECTION 41. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED

1 TO READ AS FOLLOWS:

2 (1) If a member dies prior to the first day of the month in which the member would  
3 have received his or her first retirement allowance, the member's beneficiary  
4 shall be eligible for the benefits provided by this section if the member had on file  
5 a written designation of a beneficiary with the retirement office as provided by  
6 Section 29 of this Act and the member met the following conditions at the date of  
7 his or her death:

8 (a) 1. The member had service in a nonhazardous position and was eligible  
9 to retire under subsection (2) or (3) of Section 30 of this Act or  
10 subsection (6) of Section 31 of this Act; or

11 2. The member had service in a hazardous position and was eligible to  
12 retire under subsection (2) or (3) of Section 32 of this Act or  
13 subsection (6) of Section 33 of this Act;

14 (b) The member was in active employment or on authorized leave of absence  
15 with five (5) or more years of service credit and died prior to his or her  
16 normal retirement date; or

17 (c) The member was not in active employment or on authorized leave of  
18 absence with twelve (12) or more years of service credit and died prior to his  
19 or her normal retirement date.

20 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section  
21 is a single person, then the beneficiary may elect to receive:

22 (a) A monthly benefit payable for the life of the beneficiary that is equal to the  
23 benefit that would have been paid had the member retired immediately prior  
24 to his or her date of death and elected to receive benefits payable under the  
25 survivorship one hundred percent (100%) option as provided in subsection  
26 (2) of Section 34 of this Act;

27 (b) A monthly benefit payable for the life of the beneficiary under the

- 1           beneficiary Social Security adjustment option as provided in subsection (9)  
2           of Section 34 of this Act that is the actuarial equivalent to the amount  
3           computed under paragraph (a) of this subsection;
- 4           (c) A monthly benefit payable for a period of sixty (60) months that is the  
5           actuarial equivalent to the amount computed under paragraph (a) of this  
6           subsection;
- 7           (d) A monthly benefit payable for a period of one hundred twenty (120) months  
8           that is the actuarial equivalent to the amount computed under paragraph  
9           (a) of this subsection;
- 10          (e) If the member began participating in the system prior to January 1, 2014, a  
11          monthly benefit payable for a period of one hundred twenty (120) months  
12          that is equivalent to the benefit the member would have been entitled to  
13          receive based on his or her years of service and final compensation at the  
14          date of his or her death reduced by the survivorship fifty percent (50%)  
15          factor as provided for in subsection (4) of Section 34 of this Act, then  
16          reduced by fifty percent (50%), and that is the actuarial equivalent to the  
17          amount computed under paragraph (a) of this subsection; or
- 18          (f) The higher of a refund of the member's accumulated account balance as  
19          described in subsection (1) of Section 45 of this Act or one (1) time lump-  
20          sum payment which shall be the actuarial equivalent of the amount payable  
21          under paragraph (a) of this subsection for a period of sixty (60) months.
- 22          (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section  
23          are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus  
24          or the trustee may elect to receive the actuarial equivalent amounts payable under  
25          subsection (2)(c), (d), (e), or (f) of this section using the assumption that the  
26          beneficiary's age is the same as the member's age.
- 27          (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section



1 is the member's estate, then the beneficiary shall receive the higher of a refund of  
2 the member's accumulated account balance as described in subsection (1) of  
3 Section 45 of this Act or the one (1) time lump-sum payment payable under  
4 subsection (2)(f) of this section, using the assumption that the beneficiary's age is  
5 the same as the member's age.

6 (5) Payments of taxable distributions made pursuant to this section shall be subject  
7 to state and federal income tax as appropriate.

8 (6) (a) A person with service in a nonhazardous position who dies as a result of an  
9 act occurring in the line of duty shall be eligible for benefits from the  
10 system based upon the criteria and benefits specified by Section 92 of this  
11 Act.

12 (b) A person with service in a hazardous position who dies as a result of an act  
13 occurring in the line of duty shall be eligible for benefits from the system  
14 based upon the criteria and benefits specified by Section 43 of this Act.

15 ➔SECTION 42. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
16 TO READ AS FOLLOWS:

17 (1) A member or beneficiary eligible to receive retirement benefits under any of the  
18 provisions of KRS 78.510 to 78.852 shall have on file at the retirement office on  
19 the form prescribed by the board, notification of retirement, giving his or her  
20 name, address, Social Security number, last day of employment, and other  
21 information the system may require. The form entitled "Notification of  
22 Retirement" shall not be filed more than six (6) months before the member's  
23 effective retirement date.

24 (2) Within ten (10) days of the receipt of the form entitled "Notification of  
25 Retirement" submitted within two (2) months of the effective date of retirement,  
26 the system shall cause to be prepared an estimate of the amounts the member or  
27 beneficiary may expect to receive under the various payment options available to

1 the member or beneficiary. This information shall be recorded on a form entitled  
2 "Estimated Retirement Allowance" and forwarded to the member or beneficiary.  
3 If the member submits a form entitled "Notification of Retirement" more than  
4 two (2) months prior to the effective retirement date, the system shall provide the  
5 form entitled "Estimated Retirement Allowance" within forty-five (45) days of the  
6 member's effective retirement date.

7 (3) The member or beneficiary shall file at the retirement office the form entitled  
8 "Estimated Retirement Allowance" after he or she has checked the payment  
9 option of his or her choice, signed the document, and had his or her signature  
10 witnessed. A member shall not have the right to select a different payment option  
11 after the first day of the month in which the member receives his or her first  
12 retirement allowance. A beneficiary shall not have the right to select a different  
13 payment option after the effective date of the beneficiary's retirement allowance  
14 as provided in subsection (6) of this section.

15 (4) A member or beneficiary choosing a monthly payment option shall have on file at  
16 the retirement office his or her birth certificate or other acceptable evidence of  
17 date of birth. If a survivorship option is chosen, proof of dates of birth of the  
18 beneficiary and member shall be on file at the retirement office.

19 (5) (a) Normal Retirement. For a member normal retirement age or older, the  
20 effective date of retirement shall be the first month following the month in  
21 which employment was terminated from a regular full-time position.

22 (b) Disability Retirement. For a member retiring under the disability provisions  
23 of KRS 78.510 to 78.852, the effective date of disability retirement shall be  
24 the first month following the month in which the member's last day of paid  
25 employment in a regular full-time position occurred, provided the member  
26 files the form entitled "Estimated Retirement Allowance" no later than six  
27 (6) months following the date the notification of approval for disability

1 retirement benefits is mailed. If the member fails to file the form entitled  
2 "Estimated Retirement Allowance" within six (6) months of the date the  
3 notification of approval for disability retirement benefits is mailed, then the  
4 member's form entitled "Notification of Retirement" shall be void. The  
5 member shall be required to submit a new form entitled "Notification of  
6 Retirement" to apply for disability retirement and reestablish eligibility for  
7 disability retirement benefits.

8 (c) Early Retirement. The effective date of retirement for a member who has  
9 not attained normal retirement age shall be the first month following the  
10 month the form entitled "Notification of Retirement" is filed at the  
11 retirement office or a future month designated by the member, if  
12 employment in a regular full-time position has been terminated and if the  
13 member files the form entitled "Estimated Retirement Allowance" no later  
14 than six (6) months following termination. If the member fails to file the  
15 form entitled "Estimated Retirement Allowance" within six (6) months  
16 following the effective retirement date of the member, then the member's  
17 form entitled "Notification of Retirement" shall be void and the member  
18 shall be required to submit a new form entitled "Notification of  
19 Retirement" to apply for retirement.

20 (6) Notwithstanding the provisions of Section 41 of this Act, the effective date of a  
21 beneficiary's retirement allowance shall be as prescribed in subsection (5) of this  
22 section, as applicable, if the member dies before the first day of the month in  
23 which the member would have received his or her first retirement allowance and  
24 his or her beneficiary becomes eligible for payments under Section 41 of this Act.

25 ➔SECTION 43. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
26 TO READ AS FOLLOWS:

27 (1) The provisions of this section shall apply to members in a hazardous position.

- 1 (2) If the death of a member in service occurs on or after August 1, 1992, as a direct  
2 result of an act in line of duty and the member has on file in the retirement office  
3 at the time of his or her death a written designation of only one (1) beneficiary,  
4 who is his or her spouse, the beneficiary may elect to receive a lump-sum  
5 payment of ten thousand dollars (\$10,000) and a monthly payment equal to  
6 twenty-five percent (25%) of the member's monthly final rate of pay beginning in  
7 the month following the member's death and continuing each month until death.
- 8 (3) If the death of a member in service occurs on or after July 1, 1968, as a direct  
9 result of an act in line of duty as defined in Section 12 of this Act and the member  
10 has on file in the retirement office at the time of his or her death a written  
11 designation of only one (1) beneficiary other than his or her spouse, who is a  
12 dependent receiving at least one-half (1/2) of his or her support from the  
13 deceased member, the beneficiary may elect to receive a lump-sum payment of ten  
14 thousand dollars (\$10,000).
- 15 (4) In the period of time following a member's death during which dependent  
16 children survive, monthly payments shall be made for each dependent child who  
17 is alive, equal to ten percent (10%) of the deceased member's monthly final rate  
18 of pay; however, total maximum dependent children's benefits shall not be  
19 greater than forty percent (40%) of the deceased member's monthly final rate of  
20 pay at the time any particular payment is due. The payments shall commence in  
21 the month following the date of death of the member and shall be payable to the  
22 beneficiaries, or to a legally appointed guardian or as directed by the system.  
23 Benefits shall be payable under this subsection notwithstanding an election by a  
24 beneficiary to withdraw the deceased member's accumulated account balance as  
25 provided in Section 45 of this Act or benefits under any other provisions of KRS  
26 78.510 to 78.852.
- 27 (5) A beneficiary eligible for benefits under subsection (2) or (3) of this section who

1 is also eligible for benefits under any other provisions of KRS 78.510 to 78.852  
 2 may elect benefits under this section or any other section of KRS 78.510 to 78.852  
 3 but cannot elect to receive both.

4 (6) (a) A beneficiary applying for benefits under subsection (2) or (3) of this  
 5 section who is also eligible for benefits under Section 41 of this Act may  
 6 elect to receive benefits under subsection (2)(a) or (b) of Section 41 of this  
 7 Act while the application for benefits under subsection (2) or (3) of this  
 8 section is pending.

9 (b) If a final determination results in a finding of eligibility for benefits under  
 10 subsection (2) or (3) of this section, the system shall recalculate the benefits  
 11 due the beneficiary in accordance with this subsection.

12 (c) If the beneficiary has been paid less than the amount of benefits to which  
 13 the beneficiary was entitled to receive under this section, the system shall  
 14 pay the additional funds due to the beneficiary.

15 (d) If the beneficiary has been paid more than the amount of benefits to which  
 16 the beneficiary was entitled to receive under this section, the system shall  
 17 deduct the amount overpaid to the beneficiary from the ten thousand dollars  
 18 (\$10,000) lump-sum payment and from the monthly retirement allowance  
 19 payments until the amount owed to the system has been recovered.

20 ➔SECTION 44. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 21 TO READ AS FOLLOWS:

22 (1) If a retired member who did not elect an optional retirement plan as provided by  
 23 Section 34 of this Act dies at any time on or after the first day of the month in  
 24 which the member received or would have received his or her first retirement  
 25 allowance but before receiving total retirement allowances provided in KRS  
 26 78.510 to 78.852 at least equal to his or her accumulated contributions as of the  
 27 date of his or her retirement, the difference between the accumulated

1 contributions and the total allowances shall be payable in a lump sum to the  
2 properly designated beneficiary. If a living person designated as the beneficiary  
3 predeceases the retired member, the estate shall become the beneficiary. If a  
4 spouse designated as the beneficiary is divorced from the retired member as of the  
5 member's death, the estate shall become the beneficiary.

6 (2) If a retired member who elected an optional retirement plan as provided by  
7 Section 34 of this Act and his or her beneficiary both die at any time on or after  
8 the first day of the month in which the member received or would have received  
9 his or her first retirement allowance but before receiving total retirement  
10 allowances provided in KRS 78.510 to 78.852 at least equal to the retired  
11 member's accumulated contributions as of the date of his or her retirement, the  
12 difference between the accumulated contributions and the total allowances shall  
13 be payable in a lump sum to the estate of the last deceased, except that the retired  
14 member's estate shall receive the payment if the beneficiary was the spouse and  
15 they were divorced as of the date of the member's death. If the retired member  
16 and beneficiary die simultaneously, the estate of the retired member shall become  
17 the beneficiary.

18 (3) If a beneficiary receiving a lifetime retirement allowance under Section 41 of this  
19 Act dies before receiving total retirement allowances provided in KRS 78.510 to  
20 78.852 at least equal to the member's accumulated contributions as of the date of  
21 the member's death, the difference between the accumulated contributions and  
22 the total allowances shall be payable in a lump sum to the estate of the  
23 beneficiary.

24 (4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred  
25 twenty (120) months certain under Section 41 of this Act, or a beneficiary  
26 receiving a retirement allowance under subsection (5), (6), (7), or (13) of Section  
27 34 of this Act, dies before receiving all payments under the plan, the executor or

1 administrator of his or her estate shall receive a lump-sum payment which shall  
2 be the actuarial equivalent to the remaining payments.

3 (5) If the system is unable to verify a recipient's whereabouts or whether the recipient  
4 is living, the system shall suspend the recipient's retirement allowance. If the  
5 recipient is located, the system shall restore to the recipient all suspended  
6 retirement allowances.

7 ➔SECTION 45. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
8 TO READ AS FOLLOWS:

9 (1) (a) Prior to the member's effective retirement date, a member if living, or if not  
10 living, his or her designated beneficiary, shall have the right to request a  
11 refund of his or her accumulated account balance if the member's  
12 employment has been terminated and the member is not participating in the  
13 system.

14 (b) Upon the death of a member occurring on or after his or her effective  
15 retirement date, the member's beneficiary shall have the right to request a  
16 refund of the member's accumulated contributions, reduced by the amount  
17 of any retirement allowances previously received.

18 (2) Payments made under this section shall be in lieu of any other benefits due for  
19 the period of service under any of the provisions of KRS 78.510 to 78.852, unless  
20 the period of service is regained as provided under subsection (3) of Section 20 of  
21 this Act. Payments of taxable distributions made pursuant to this section shall be  
22 subject to state and federal tax as appropriate.

23 (3) A refund of contributions of members whose benefits have been terminated  
24 pursuant to KRS 6.696 shall be governed by that section.

25 (4) A refund of contributions to members whose benefits have been terminated  
26 pursuant to subsection (4)(c) of Section 14 of this Act shall be governed by the  
27 provisions of that subsection.

1       ➔SECTION 46. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
2 TO READ AS FOLLOWS:

3 (1) Upon the death of a member, retiree, or recipient who has an existing account or  
4 other benefit in the system that totals no more than one thousand dollars  
5 (\$1,000), the surviving spouse, or if none, a surviving child, or if none, a  
6 surviving parent, or if none, a surviving brother or sister, may without formal  
7 administration of the estate collect the account subject to the provisions of this  
8 section.

9 (2) The surviving spouse, child, parent, or brother or sister who makes demand for  
10 the deceased member's, retiree's, or recipient's account shall file with the  
11 retirement office an affidavit stating that he or she is entitled to payment of the  
12 account. The affidavit shall conform to the requirements of the administrative  
13 regulation promulgated by the board.

14 (3) After having paid the account to the surviving spouse, child, parent, or brother or  
15 sister, the retirement system shall be discharged and held harmless to the same  
16 extent as if conducting business with a personal representative. The system shall  
17 not be required to inquire into the truth or veracity of any statement made in the  
18 affidavit. In the event any person or entity establishes a superior right to the  
19 account, the surviving spouse, child, parent, or brother or sister, and not the  
20 system, shall be answerable and accountable to any appointed personal  
21 representative for the estate.

22       ➔SECTION 47. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
23 TO READ AS FOLLOWS:

24 (1) The annual retirement allowance for a member of the system shall not exceed the  
25 maximum benefit as set forth in the Internal Revenue Code.

26 (2) (a) The retirement allowance for a member of the system shall be calculated by  
27 using the member's known creditable compensation prior to his or her last



1           month's employment and an estimate of his or her creditable compensation  
2           during the last month he or she was employed. Based upon this calculation,  
3           the State Treasurer shall be requested to issue the initial retirement  
4           payment.

5           **(b) A new calculation shall be made when the official report has been received**  
6           **of the member's creditable compensation during his or her last month's**  
7           **employment. However, the retirement allowance determined in accordance**  
8           **with paragraph (a) of this subsection shall be the official retirement**  
9           **allowance unless the new calculation derives an amount which is two**  
10           **dollars (\$2) greater or less than the amount of the initial retirement**  
11           **payment. If the member or beneficiary chose an actuarial equivalent refund**  
12           **payment option, the amount of estimated retirement allowance shall be the**  
13           **official retirement allowance unless the new calculation produces an**  
14           **amount which is one hundred dollars (\$100) greater or less than the**  
15           **amount of the initial retirement payment.**

16           ➔SECTION 48. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
17 TO READ AS FOLLOWS:

18           **(1) A recipient who begins receiving a retirement allowance August 1, 2000, or after,**  
19           **from the County Employees Retirement System shall have the retirement**  
20           **allowance paid by electronic fund transfer to a financial institution designated by**  
21           **the recipient except as provided by subsection (5) of this section.**

22           **(2) When an individual becomes eligible to receive a monthly retirement allowance,**  
23           **the retirement system shall provide an authorization for deposit of retirement**  
24           **payment form to the recipient to have the monthly retirement allowance deposited**  
25           **to an account in a financial institution.**

26           **(3) The recipient shall provide the information and authorization required for the**  
27           **electronic transfer of funds from the State Treasurer's office to the designated**

1 financial institution.

2 (4) At any time while receiving a retirement allowance, the recipient may change the  
3 designated institution by completing a new authorization for deposit of retirement  
4 payment form and filing the form at the retirement office in Frankfort. The last  
5 authorization for deposit of retirement payment on file at the retirement office  
6 shall control the electronic transfer of the recipient's retirement allowance.

7 (5) (a) A recipient may request to be paid by check issued by the State Treasurer  
8 instead of by electronic transfer by completing and filing at the retirement  
9 office a request for payment by check form.

10 (b) The request shall be approved if:

11 1. The recipient certifies that he or she does not currently have an  
12 account with a financial institution; or

13 2. The recipient's bank certifies that it does not participate in the  
14 electronic funds transfer program.

15 (c) The retirement office shall, every five (5) years, require the recipient to  
16 certify that the original conditions under which he or she requested  
17 payment by check continue. If the original conditions do not exist, the  
18 recipient shall complete an authorization for direct deposit of retirement  
19 payment form and file it with the retirement office.

20 ➔SECTION 49. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
21 TO READ AS FOLLOWS:

22 (1) (a) There is hereby created and established a trust fund to be known as  
23 "County Employees Retirement System insurance trust fund." All assets  
24 received in the trust fund shall be deemed trust funds to be held and applied  
25 solely as provided in this section. Assets of the trust fund shall not be used  
26 for any other purpose and shall not be used to pay the claims of creditors or  
27 any individual, person, or employer participating in the County Employees

1           Retirement System.

2           (b) The trust fund is intended to be established as a trust exempt from taxation  
3           under 26 U.S.C. sec. 115.

4           (2) The trust fund is created for the purpose of providing a trust separate from the  
5           retirement funds. Trust fund assets are dedicated for use for health benefits as  
6           provided in Section 50 of this Act, and as permitted under 26 U.S.C. secs. 105 and  
7           106, to retired recipients and employees of employers participating in the County  
8           Employees Retirement System and to certain of their dependents or beneficiaries,  
9           including but not limited to qualified beneficiaries as described in 42 U.S.C. secs.  
10           300bb-1 et seq.

11           (3) The trust fund shall be administered by the board of trustees of the County  
12           Employees Retirement System and the board shall serve as trustees of the fund.  
13           The board shall manage the assets of the fund in the same manner in which it  
14           administers the retirement funds, except that separate accounting and financial  
15           reporting shall be maintained for the trust fund.

16           (4) In addition to the requirements of subsection (2) of this section, the employers  
17           participating in the trust fund are limited to the Commonwealth, political  
18           subdivisions of the Commonwealth, and entities whose income is exempt from  
19           taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust  
20           fund.

21           (5) If the trust fund is terminated, the assets in the trust fund may revert, after the  
22           payment of all liabilities, to the participating employers as determined by the  
23           board of trustees.

24           (6) The board of trustees may promulgate administrative regulations and procedures  
25           and take all action necessary and appropriate to provide that the income of the  
26           trust fund is exempt from taxation under Title 26 of the United States Code.

27           (7) The establishment of the County Employees Retirement System insurance trust

1 fund shall not diminish or expand the rights of any recipients, employees, or  
2 dependents to health benefits.

3 ➔SECTION 50. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
4 TO READ AS FOLLOWS:

5 (1) For purposes of this section:

6 (a) "Hospital and medical insurance plan" may include, at the board's  
7 discretion, any one (1) or more of the following:

8 1. Any hospital and medical expense policy or certificate, provider-  
9 sponsored integrated health delivery network, self-insured medical  
10 plan, health maintenance organization contract, or other health  
11 benefit plan;

12 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or  
13 health reimbursement arrangement or a similar account as may be  
14 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account,  
15 at the board's discretion, may reimburse any medical expense  
16 permissible under 26 U.S.C. sec. 213; or

17 3. A medical insurance reimbursement program established by the board  
18 through the promulgation of an administrative regulation under  
19 which members purchase individual health insurance coverage  
20 through a health insurance exchange established under 42 U.S.C. sec.  
21 18031 or 18041;

22 (b) "Monthly contribution rate" means the amount determined by the board  
23 based upon the requirements of subsection (4)(a) to (c) of this section,  
24 except that for members who began participating in the system on or after  
25 July 1, 2003, the term shall mean the amount determined in subsection  
26 (4)(d) of this section; and

27 (c) "Months of service" means the total months of combined service used to

1 determine benefits under the system, except service added to determine  
2 disability benefits or service otherwise prohibited from being used to  
3 determine retiree health benefits under KRS 78.510 to 78.852 shall not be  
4 counted as "months of service."

5 (2) (a) 1. The board of trustees of the system shall arrange by appropriate  
6 contract or on a self-insured basis to provide a group hospital and  
7 medical insurance plan coverage for:

8 a. Present and future recipients of a retirement allowance from the  
9 County Employees Retirement System; and

10 b. The spouse and each qualified dependent of a recipient who is a  
11 former member or the beneficiary, provided the spouse and  
12 dependent meet the requirements to participate in the hospital  
13 and medical insurance plans established, contracted, or  
14 authorized by the system.

15 2. Any recipient who chooses coverage under a hospital and medical  
16 insurance plan shall pay, by payroll deduction from the retirement  
17 allowance or by another method, the difference between the premium  
18 cost of the hospital and medical insurance plan coverage selected and  
19 the monthly contribution rate to which he or she would be entitled  
20 under this section.

21 (b) 1. For present and future recipients of a retirement allowance from the  
22 system who are not eligible for Medicare, the board may authorize  
23 these participants to be included in the Kentucky Employees Health  
24 Plan as provided by KRS 18A.225 to 18A.2287 and shall provide  
25 benefits for recipients in the plan equal to those provided to state  
26 employees having the same Medicare hospital and medical insurance  
27 eligibility status. Notwithstanding the provisions of any other statute,

1 system recipients shall be included in the same class as current state  
2 employees for purposes of determining medical insurance policies and  
3 premiums in the Kentucky Employees Health Plan as provided by  
4 KRS 18A.225 to 18A.2287.

5 2. Regardless of age, if a recipient or the spouse or dependent child of a  
6 recipient who elects coverage becomes eligible for Medicare, he or she  
7 shall participate in the plans offered by the systems for Medicare-  
8 eligible recipients. Individuals participating in the Medicare-eligible  
9 plans shall be required to obtain and pay for Medicare Part A and  
10 Part B coverage in order to participate in the Medicare-eligible plans  
11 offered by the system.

12 3. The system shall continue to provide the same hospital and medical  
13 insurance plan coverage for recipients and qualifying dependents  
14 after the age of sixty-five (65) as before the age of sixty-five (65), if the  
15 recipient is not eligible for Medicare coverage.

16 (c) For recipients of a retirement allowance who are not eligible for the same  
17 level of hospital and medical benefits as recipients living in Kentucky  
18 having the same Medicare hospital and medical insurance eligibility status,  
19 the board shall provide a medical insurance reimbursement plan as  
20 described in subsection (6) of this section.

21 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of  
22 trustees, in its discretion, may take necessary steps to ensure compliance  
23 with 42 U.S.C. secs. 300bb-1 et seq.

24 (3) (a) Each employer participating in the County Employees Retirement System as  
25 provided in KRS 78.510 to 78.852 shall contribute to the County Employees  
26 Retirement System insurance trust fund the amount necessary to provide  
27 the monthly contribution rate as provided for under this section. Such

1 employer contribution rate shall be developed by appropriate actuarial  
2 method as a part of the determination of each respective employer  
3 contribution rate determined under Section 22 of this Act.

4 (b) 1. Each employer described in paragraph (a) of this subsection shall  
5 deduct from the creditable compensation of each member whose  
6 membership date begins on or after September 1, 2008, an amount  
7 equal to one percent (1%) of the member's creditable compensation.  
8 The deducted amounts shall be credited to accounts established  
9 pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS  
10 78.520.

11 2. The employer shall file the contributions as provided by subparagraph  
12 1. of this paragraph at the retirement office in accordance with  
13 Section 23 of this Act. Any interest or penalties paid on any delinquent  
14 contributions shall be credited to accounts established pursuant to 26  
15 U.S.C. sec. 401(h), within the funds established in KRS 78.520.  
16 Notwithstanding any minimum compensation requirements provided  
17 by law, the deductions provided by this paragraph shall be made, and  
18 the compensation of the member shall be reduced accordingly.

19 3. Each employer shall submit payroll reports, contributions lists, and  
20 other data as may be required by administrative regulation  
21 promulgated by the board of trustees pursuant to KRS Chapter 13A.

22 4. Every member shall be deemed to consent and agree to the deductions  
23 made pursuant to this paragraph, and the payment of salary or  
24 compensation less the deductions shall be a full and complete  
25 discharge of all claims for services rendered by the person during the  
26 period covered by the payment, except as to any benefits provided by  
27 KRS 78.510 to 78.852. No member may elect whether to participate in,

1 or choose the contribution amount to accounts established pursuant to  
2 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520. The  
3 member shall have no option to receive the contribution required by  
4 this paragraph directly instead of having the contribution paid to  
5 accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
6 funds established in KRS 78.520. No member may receive a rebate or  
7 refund of contributions. If a member establishes a membership date  
8 prior to September 1, 2008, pursuant to subsection (2) or (3) of Section  
9 20 of this Act, then this paragraph shall not apply to the member and  
10 all contributions previously deducted in accordance with this  
11 paragraph shall be refunded to the member without interest. The  
12 contribution made pursuant to this paragraph shall not act as a  
13 reduction or offset to any other contribution required of a member or  
14 recipient under KRS 78.510 to 78.852.

15 5. The board of trustees, at its discretion, may direct that the  
16 contributions required by this paragraph be accounted for within  
17 accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
18 funds established in KRS 78.520 through the use of separate accounts.

19 (4) (a) The premium required to provide hospital and medical insurance plan  
20 coverage under this section shall be paid wholly or partly from funds  
21 contributed by:

22 1. The recipient of a retirement allowance, by payroll deduction from his  
23 or her retirement allowance, or by other method;

24 2. The County Employees Retirement System insurance trust fund or  
25 accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
26 funds established in KRS 78.520;

27 3. Another state-administered retirement system under a reciprocal



1 arrangement, except that any portion of the premium paid from the  
2 funds specified by subparagraph 2. of this paragraph under a  
3 reciprocal agreement shall not exceed the amount that would be  
4 payable under this section if all the member's service were in the  
5 County Employees Retirement System; or

6 4. A combination of the fund sources described by subparagraphs 1. to 3.  
7 of this paragraph.

8 (b) For a member who began participating in the system prior to July 1, 2003,  
9 the monthly contribution rate shall be paid by the system from the funds  
10 specified under paragraph (a)2. of this subsection and shall be equal to a  
11 percentage of the single premium to cover the retired member as follows:

12 1. One hundred percent (100%) of the monthly premium for single  
13 coverage shall be paid for a retired member who had two hundred  
14 forty (240) months of service or more upon retirement or for a retired  
15 member who when he or she was an employee was disabled as a result  
16 of an act in the line of duty as defined in subsection (48) of Section 12  
17 of this Act;

18 2. Seventy-five percent (75%) of the monthly premium for single  
19 coverage shall be paid for a retired member who had less than two  
20 hundred forty (240) months of service but at least one hundred eighty  
21 (180) months of service upon retirement, provided such retired  
22 member agrees to pay the remaining twenty-five percent (25%) by  
23 payroll deduction from his or her retirement allowance or by another  
24 method;

25 3. Fifty percent (50%) of the monthly premium for single coverage shall  
26 be paid for a retired member who had less than one hundred eighty  
27 (180) months of service but had at least one hundred twenty (120)

1 months of service upon retirement, provided such retired member  
2 agrees to pay the remaining fifty percent (50%) by payroll deduction  
3 from his or her retirement allowance or by another method; or

4 4. Twenty-five percent (25%) of the monthly premium for single  
5 coverage shall be paid for a retired member who had less than one  
6 hundred twenty (120) months of service but had at least forty-eight  
7 (48) months of service upon retirement, provided such retired member  
8 agrees to pay the remaining seventy-five percent (75%) by payroll  
9 deduction from his or her retirement allowance or by another method.

10 Notwithstanding the foregoing provisions of this paragraph, an employee  
11 participating in the system prior to July 1, 2003, who is killed as a result of  
12 an act in the line of duty as defined in subsection (48) of Section 12 of this  
13 Act, shall have the monthly premium paid for the beneficiary, if the  
14 beneficiary is the member's spouse, and for each dependent child, so long  
15 as they individually remain eligible for a monthly retirement benefit.

16 (c) 1. For a member who began participating in the system prior to July 1,  
17 2003, who was determined to be in a hazardous position in the County  
18 Employees Retirement System, the funds specified under paragraph  
19 (a)2. of this subsection shall also pay a percentage of the monthly  
20 contribution rate sufficient to fund the premium costs for hospital and  
21 medical insurance coverage for the spouse and for each dependent  
22 child of a recipient.

23 2. The percentage of the monthly contribution rate paid for the spouse  
24 and each dependent child of a recipient who was in a hazardous  
25 position in accordance with subparagraph 1. of this paragraph shall  
26 be based solely on the member's service in a hazardous position using  
27 the formula in paragraph (b) of this subsection, except that for any

1           recipient of a retirement allowance from the County Employees  
2           Retirement System who was contributing to the system on January 1,  
3           1998, for service in a hazardous position, the percentage of the  
4           monthly contribution shall be based on the total of hazardous service  
5           and any nonhazardous service as a police officer or firefighter with  
6           the same agency, if that agency was participating in the County  
7           Employees Retirement System but did not offer hazardous duty  
8           coverage for its police officers and firefighters at the time of initial  
9           participation.

10       (d) For members who begin participating in the system on or after July 1,  
11       2003:

12       1. Participation in the insurance benefits provided under this section  
13       shall not be allowed until the member has earned at least one hundred  
14       twenty (120) months of service in the state-administered retirement  
15       systems, except that for members who begin participating in the  
16       system on or after September 1, 2008, participation in the insurance  
17       benefits provided under this section shall not be allowed until the  
18       member has earned at least one hundred eighty (180) months of  
19       service credited under subsection (1) of Section 18 of this Act or  
20       another state-administered retirement system.

21       2. A member who meets the minimum service requirements as provided  
22       by subparagraph 1. of this paragraph shall upon retirement be eligible  
23       for the following monthly contribution rate to be paid on his or her  
24       behalf from the funds specified under paragraph (a)2. of this  
25       subsection:

26       a. For members with service in a nonhazardous position, a monthly  
27       insurance contribution of ten dollars (\$10) for each year of

1 service as a participating employee in a nonhazardous position;  
2 and

3 b. For a member with service in a hazardous position, a monthly  
4 insurance contribution of fifteen dollars (\$15) for each year of  
5 service as a participating employee in a hazardous position.  
6 Upon the death of the retired member, the beneficiary, if the  
7 beneficiary is the member's spouse, shall be entitled to a monthly  
8 insurance contribution of ten dollars (\$10) for each year of  
9 service the member attained as a participating employee in a  
10 hazardous position.

11 3. The minimum service requirement to participate in benefits as  
12 provided by subparagraph 1. of this paragraph shall be waived for a  
13 member who is disabled as a result of an act in the line of duty as  
14 defined in subsection (48) of Section 12 of this Act and the member  
15 shall be entitled to the benefits payable under this subsection as  
16 though the member had twenty (20) years of service in the position for  
17 which the disabling condition occurred.

18 4. The minimum service requirement to participate in benefits as  
19 provided by subparagraph 1. of this paragraph shall be waived for a  
20 member who is killed as a result of an act in the line of duty as defined  
21 in subsection (48) of Section 12 of this Act and the member shall be  
22 entitled to the benefits payable under this subsection as though the  
23 member had twenty (20) years of service in a hazardous position.

24 5. The monthly insurance contribution amount shall be increased July 1  
25 of each year by one and one-half percent (1.5%). The increase shall be  
26 cumulative and shall continue to accrue after the member's retirement  
27 for as long as a monthly insurance contribution is payable to the

1                   retired member or beneficiary.

2           6. The benefits of this paragraph provided to a member whose  
3           participation begins on or after July 1, 2003, shall not be considered  
4           as benefits protected by the inviolable contract provisions of KRS  
5           78.852. The General Assembly reserves the right to suspend or reduce  
6           the benefits conferred in this paragraph if in its judgment the welfare  
7           of the Commonwealth so demands.

8           7. An employee whose membership date is on or after September 1, 2008,  
9           who retires and is reemployed in a regular full-time position required  
10          to participate in the system shall not be eligible for health insurance  
11          coverage or benefits provided by this section and shall take coverage  
12          with his or her employing agency during the period of reemployment  
13          in a regular full-time position.

14          (e) For members with service in another state-administered retirement system  
15          who select hospital and medical insurance plan coverage through the  
16          system:

17          1. The system shall compute the member's combined service, including  
18          service credit in another state-administered retirement system, and  
19          calculate the portion of the member's premium monthly contribution  
20          rate to be paid by the funds specified under paragraph (a)2. of this  
21          subsection according to the criteria established in paragraphs (a) to  
22          (d) of this subsection. Each state-administered retirement system  
23          annually shall pay annually to the County Employees Retirement  
24          System insurance trust fund the portion of the system's cost of the  
25          retiree's monthly contribution for single coverage for hospital and  
26          medical insurance plan based upon the reciprocal agreement  
27          established between the system and the other state-administered

- 1           retirement systems. The amounts paid by the other state-administered  
2           retirement plans and by the County Employees Retirement System  
3           from funds specified under paragraph (a)2. of this subsection shall  
4           not be more than one hundred percent (100%) of the monthly  
5           contribution adopted by the respective boards of trustees;
- 6           2. A member may not elect coverage for hospital and medical benefits  
7           through more than one (1) of the state-administered retirement  
8           systems; and
- 9           3. A state-administered retirement system shall not pay any portion of a  
10           member's monthly contribution for medical insurance unless the  
11           member is a recipient or annuitant of the plan.
- 12       (5) Premiums paid for hospital and medical insurance coverage procured under  
13           authority of this section shall be exempt from any premium tax which might  
14           otherwise be required under KRS Chapter 136. The payment of premiums by the  
15           funds described by subsection (4)(a)2. of this section shall not constitute taxable  
16           income to an insured recipient. No commission shall be paid for hospital and  
17           medical insurance procured under authority of this section.
- 18       (6) The board shall promulgate an administrative regulation to establish a medical  
19           insurance reimbursement plan to provide reimbursement for hospital and  
20           medical insurance plan premiums of recipients of a retirement allowance who  
21           are not eligible for the same level of hospital and medical benefits as recipients  
22           living in Kentucky and having the same Medicare hospital and medical insurance  
23           eligibility status. An eligible recipient shall file proof of payment for hospital and  
24           medical insurance plan coverage with the retirement office. Reimbursement to  
25           eligible recipients shall be made on a quarterly basis. The recipient shall be  
26           eligible for reimbursement of substantiated medical insurance premiums for an  
27           amount not to exceed the total monthly contribution rate determined under

1 subsection (4) of this section. The plan shall not be made available if all  
2 recipients are eligible for the same coverage as recipients living in Kentucky.

3 ➔SECTION 51. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
4 TO READ AS FOLLOWS:

5 (1) (a) Upon the death of a retired member of the system, who was receiving a  
6 monthly retirement allowance based on a minimum of forty-eight (48)  
7 months of service, a death benefit of five thousand dollars (\$5,000) shall be  
8 paid.

9 (b) If the retired member had more than one (1) account in the County  
10 Employees Retirement System or is eligible for a benefit from the Kentucky  
11 Retirement Systems under the provisions of Section 109 of this Act, the  
12 combined payment from the County Employees Retirement System under  
13 this section and the Kentucky Retirement Systems under Section 109 of this  
14 Act shall not exceed five thousand dollars (\$5,000). Each system's cost shall  
15 be prorated between the systems based upon the level of service credit in  
16 each system.

17 (c) Application for the death benefit made to the system shall include  
18 acceptable evidence of death and of the eligibility of the applicant to act on  
19 the deceased retired member's behalf.

20 (2) (a) The death benefit shall be paid to a beneficiary named by the retired  
21 member. Upon retirement or any time thereafter, the retired member may  
22 designate on the death benefit designation form prescribed by the board, a  
23 person, the retired member's estate, a trust or trustee, or a licensed funeral  
24 home, as the beneficiary of the death benefit. The beneficiary for the death  
25 benefit may or may not be the same beneficiary designated in accordance  
26 with subsection (1) of Section 42 of this Act.

27 (b) If the beneficiary designated under this section is a person and that person

1 dies prior to the member, or if the beneficiary was the retired member's  
2 spouse and they were divorced on the date of the retired member's death,  
3 then the retired member's estate shall become the beneficiary, unless the  
4 retired member has filed a subsequent death benefit designation.

5 (c) If a licensed funeral home is designated as beneficiary and the licensed  
6 funeral home cannot be reasonably identified or located by the system at the  
7 time of the retired member's death, then the retired member's estate shall  
8 become the beneficiary of the death benefit.

9 (3) If, at the time of the retired member's death, a debt to the County Employees  
10 Retirement System remains on his or her account, the balance owed shall be  
11 deducted from the five thousand dollars (\$5,000) death benefit.

12 (4) Upon the death of a retired member, the death benefit provided pursuant to this  
13 section may be assigned by the designated beneficiary to a bank or licensed  
14 funeral home.

15 ➔SECTION 52. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
16 TO READ AS FOLLOWS:

17 (1) (a) A retired member or his or her employer shall notify the system if he or she  
18 has accepted employment or is serving as a volunteer with an employer that  
19 participates in the state-administered retirement systems or with an  
20 employer who is contracted to perform services for an employer  
21 participating in the state-administered retirement systems. The retired  
22 member and the participating employer shall submit the information  
23 required or requested by the County Employees Retirement System to  
24 confirm the individual's employment or volunteer status.

25 (b) If the retired member is employed following retirement under a contract, the  
26 member shall submit a copy of that contract to the County Employees  
27 Retirement System, and the system shall determine if the member is an



1 independent contractor for purposes of retirement benefits.

2 (c) A retired member and the participating employer shall submit the  
3 information required or requested by the system to confirm the individual's  
4 employment or volunteer status.

5 (2) A retired member whose disability retirement was discontinued pursuant to  
6 Section 39 of this Act and who is reemployed by an employer participating in the  
7 system prior to his or her normal retirement date shall have his or her accounts  
8 combined upon termination for determining eligibility for benefits. If the member  
9 is eligible for retirement, the member's service and creditable compensation  
10 earned as a result of his or her reemployment shall be used in the calculation of  
11 benefits, except that the member's final compensation shall not be less than the  
12 final compensation last used in determining his or her retirement allowance. The  
13 member shall not change beneficiary or payment option designations.

14 (3) Retired members of County Employees Retirement System who returned to work  
15 prior to September 1, 2008, and who are contributing to a second retirement  
16 account in the County Employees Retirement System shall continue to earn  
17 service credit in the system under the conditions and requirements specified by  
18 Section 96 of this Act as of June 30, 2018.

19 (4) The following shall apply to retired members of the County Employees  
20 Retirement System who are reemployed on or after September 1, 2008, by an  
21 agency participating in the County Employees Retirement System:

22 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired  
23 member is receiving a retirement allowance from the County Employees  
24 Retirement System, or has filed the forms required to receive a retirement  
25 allowance from the County Employees Retirement System, and is employed  
26 in a regular full-time position required to participate in the County  
27 Employees Retirement System or is employed in a position that is not

1 considered regular full-time with an employer participating in the County  
2 Employees Retirement System within three (3) months following the  
3 member's initial retirement date, the member's retirement shall be voided,  
4 and the member shall repay to the system all benefits received, including  
5 any health insurance benefits. If the retired member is returning to work in  
6 a regular full-time position required to participate in the County Employees  
7 Retirement System:

8 1. The member shall contribute to a member account established for him  
9 or her in the County Employees Retirement System, and employer  
10 contributions shall be paid on behalf of the member by the  
11 participating employer to the system; and

12 2. Upon subsequent retirement, the member shall be eligible for a  
13 retirement allowance based upon total service and creditable  
14 compensation, including any additional service or creditable  
15 compensation earned after his or her initial retirement was voided;

16 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired  
17 member is receiving a retirement allowance from the County Employees  
18 Retirement System and is employed in a regular full-time position required  
19 to participate in the County Employees Retirement System after a three (3)  
20 month period following the member's initial retirement date, the member  
21 may continue to receive his or her retirement allowance during the period  
22 of reemployment subject to the following provisions:

23 1. Both the employee and participating employer shall certify in writing  
24 on a form prescribed by the board that no prearranged agreement  
25 existed between the employee and employer prior to the employee's  
26 retirement for the employee to return to work with the participating  
27 employer. If an elected official is reelected to a new term of office in

1           the same position and retires following the election but prior to taking  
2           the new term of office, he or she shall be deemed by the system as  
3           having a prearranged agreement under the provisions of this  
4           subparagraph and shall have his or her retirement voided. If the  
5           participating employer fails to complete the certification, the member's  
6           retirement shall be voided and the provisions of paragraph (a) of this  
7           subsection shall apply to the member and the employer;

8           2. Notwithstanding any other provision of KRS Chapter 78 to the  
9           contrary, the member shall not contribute to the system and shall not  
10           earn any additional benefits for any work performed during the period  
11           of reemployment;

12           3. Except as provided by KRS 70.291 to 70.293 and Section 113 of this  
13           Act, the employer shall pay employer contributions as specified by  
14           Sections 22 and 50 of this Act on all creditable compensation earned  
15           by the employee during the period of reemployment. The additional  
16           contributions paid shall be used to reduce the unfunded actuarial  
17           liability of the system; and

18           4. Except as provided by KRS 70.291 to 70.293 and Section 113 of this  
19           Act, the employer shall be required to reimburse the system for the  
20           cost of the health insurance premium paid by the system to provide  
21           coverage for the retiree, not to exceed the cost of the single premium.  
22           Effective July 1, 2015, local school boards shall not be required to pay  
23           the reimbursement required by this subparagraph for retirees  
24           employed by the board for eighty (80) days or less during the fiscal  
25           year;

26           (c) If a member is receiving a retirement allowance from hazardous position  
27           coverage with the County Employees Retirement System, or has filed the

1 forms required to receive a retirement allowance from the County  
2 Employees Retirement System for service in a hazardous position, and is  
3 employed in a regular full-time hazardous position with the County  
4 Employees Retirement System within one (1) month following the member's  
5 initial retirement date, the member's retirement shall be voided, and the  
6 member shall repay to the system all benefits received, including any health  
7 insurance benefits. If the member is returning to work in a regular full-time  
8 position required to participate in the County Employees Retirement  
9 System:

10 1. The member shall contribute to a member account established for him  
11 or her in the County Employees Retirement System, and employer  
12 contributions shall be paid on behalf of the member by the  
13 participating employer; and

14 2. Upon subsequent retirement, the member shall be eligible for a  
15 retirement allowance based upon total service and creditable  
16 compensation, including any additional service or creditable  
17 compensation earned after his or her initial retirement was voided;

18 (d) If a member is receiving a retirement allowance from the hazardous  
19 position coverage with the County Employees Retirement System and is  
20 employed in a regular full-time hazardous position required to participate  
21 in the County Employees Retirement System after a one (1) month period  
22 following the member's initial retirement date, the member may continue to  
23 receive his or her retirement allowance during the period of reemployment  
24 subject to the following provisions:

25 1. Both the employee and participating employer shall certify in writing  
26 on a form prescribed by the board that no prearranged agreement  
27 existed between the employee and employer prior to the employee's

- 1           retirement for the employee to return to work with the participating  
2           employer. If an elected official is reelected to a new term of office in  
3           the same position and retires following the election but prior to taking  
4           the new term of office, he or she shall be deemed by the system as  
5           having a prearranged agreement under the provisions of this  
6           subparagraph and shall have his or her retirement voided. If the  
7           participating employer fails to complete the certification, the member's  
8           retirement shall be voided and the provisions of paragraph (c) of this  
9           subsection shall apply to the member and the employer;
- 10          2. Notwithstanding any other provision of KRS Chapter 78 to the  
11          contrary, the member shall not contribute to the system and shall not  
12          earn any additional benefits for any work performed during the period  
13          of reemployment;
- 14          3. Except as provided by KRS 70.291 to 70.293 and Section 113 of this  
15          Act, the employer shall pay employer contributions as specified by  
16          Sections 22 and 50 of this Act on all creditable compensation earned  
17          by the employee during the period of reemployment. The additional  
18          contributions paid shall be used to reduce the unfunded actuarial  
19          liability of the system; and
- 20          4. Except as provided by KRS 70.291 to 70.293 and Section 113 of this  
21          Act, the employer shall be required to reimburse the system for the  
22          cost of the health insurance premium paid by the system to provide  
23          coverage for the retiree, not to exceed the cost of the single premium;
- 24          (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member  
25          who qualifies as a volunteer for an employer participating in the County  
26          Employees Retirement System and who is receiving reimbursement of  
27          actual expenses, a nominal fee for his or her volunteer services, or both,

1 shall not be considered an employee of the participating employer and shall  
2 not be subject to paragraphs (a) to (d) of this subsection if:

3 1. Prior to the retired member's most recent retirement date, he or she  
4 did not receive creditable compensation from the participating  
5 employer in which the retired member is performing volunteer  
6 services;

7 2. Any reimbursement or nominal fee received prior to the retired  
8 member's most recent retirement date has not been credited as  
9 creditable compensation to the member's account or utilized in the  
10 calculation of the retired member's benefits;

11 3. The retired member has not purchased or received service credit under  
12 any of the provisions of KRS 78.510 to 78.852 for service with the  
13 participating employer for which the retired member is performing  
14 volunteer services; and

15 4. Other than the status of volunteer, the retired member does not  
16 become an employee, leased employee, or independent contractor of  
17 the employer for which he or she is performing volunteer services for  
18 a period of at least twenty-four (24) months following the retired  
19 member's most recent retirement date.

20 If a retired member who provided volunteer services with a participating  
21 employer under this paragraph violates any provision of this paragraph,  
22 then he or she shall be deemed an employee of the participating employer as  
23 of the date he or she began providing volunteer services and both the retired  
24 member and the participating employer shall be subject to paragraphs (a) to  
25 (d) of this subsection for the period of volunteer service;

26 (f) Notwithstanding any provision of this section, any mayor or member of a  
27 city legislative body who has not participated in the County Employees

1           Retirement System prior to retirement, but who is otherwise eligible to retire  
 2           from the Kentucky Employees Retirement System or the State Police  
 3           Retirement System, shall not be:

4           1. Required to resign from his or her position as mayor or as a member  
 5           of the city legislative body in order to begin drawing benefits from the  
 6           Kentucky Employees Retirement System or the State Police Retirement  
 7           System; or

8           2. Subject to any provision of this section as it relates solely to his or her  
 9           service as a mayor or member of the city legislative body; and

10          (g) Retired members of one (1) of the systems administered by Kentucky  
 11          Retirement Systems who are reemployed by an employer in the County  
 12          Employees Retirement System on or after September 1, 2008, shall not be  
 13          eligible to earn a second retirement account in the County Employees  
 14          Retirement System for his or her service to the employer.

15          ➔Section 53. KRS 78.652 is amended to read as follows:

16          There is created and established:

17          (1) An excess benefit plan to be known as the County Employees Retirement System  
 18          Excess Benefit Plan. The plan is created for the purpose of providing the retirement  
 19          allowances payable from the retirement systems under KRS 78.520 to 78.852 that  
 20          would otherwise be limited by 26 U.S.C. sec. 415.

21          (2) A state fund to be known as the County Employees Retirement System Excess  
 22          Benefit Fund which shall consist of all the assets of the plan.

23          (3) The administration and assets of the plan shall be as follows:~~set forth in KRS~~  
 24          ~~61.652.~~

25          (a) The County Employees Excess Benefit Plan shall be administered by the  
 26          board of trustees of the County Employees Retirement System. The board  
 27          shall have the same authority in its administration as it has in the

- 1           administration of the County Employees Retirement System;
- 2           (b) The plans shall constitute qualified governmental excess benefit plans as  
3           provided in 26 U.S.C. sec. 415(m);
- 4           (c) All retired members and beneficiaries of the County Employees Retirement  
5           System whose effective retirement dates are July 1, 1998, or after, and  
6           whose retirement allowances have been limited by 26 U.S.C. sec. 415 shall  
7           be participants in the plans. Each member's participation in the plans shall  
8           be determined each fiscal year and will cease for any year in which the  
9           retirement allowance is not limited by 26 U.S.C. sec. 415;
- 10          (d) A participant shall receive a benefit equal to the difference between the  
11          retirement allowance otherwise payable from the system prior to any  
12          reduction or limitation required by 26 U.S.C. sec. 415 and the actual  
13          retirement allowance payable as limited by 26 U.S.C. sec. 415. The benefit  
14          shall be subject to withholding for applicable state and federal taxes. The  
15          benefit shall be paid in accordance with the retirement payment option  
16          selected by the member or beneficiary for the retirement allowance;
- 17          (e) 1. The board, in accordance with the recommendation of the actuary,  
18          shall determine the required contribution the plan must pay for  
19          benefits each fiscal year. The required contribution for the plan in  
20          each fiscal year shall be the total amount of benefits payable under  
21          this section to all participants plus the amount required to pay the  
22          administrative expenses of the plan and the employer's share of any  
23          employment taxes on the benefits paid from the plan.
- 24          2. The required contribution shall be paid by the participating employers.
- 25          3. The required contribution for each plan shall be deposited into the  
26          separate fund. The plan is intended to be exempt from federal income  
27          tax under 26 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).



1           4. The benefit liability of each plan shall be determined on a fiscal year  
 2           basis, and contributions shall not be accumulated to pay benefits in  
 3           future fiscal years. Any assets of the plans not used to pay benefits in  
 4           the current fiscal year shall be used for payment of the administrative  
 5           expenses of the plan for the current or future fiscal years or shall be  
 6           paid to the system as an additional employer contribution;

7           (f) The benefits payable from the plans shall be treated in accordance with  
 8           Section 55 of this Act; and

9           (g) The board shall promulgate administrative regulations to modify the  
 10           benefits payable under the plans as necessary for the plans to be qualified  
 11           under 26 U.S.C. sec. 415(m).

12           ➔SECTION 54. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 13 TO READ AS FOLLOWS:

14           The provisions of Section 104 of this Act are hereby recognized and shall be followed  
 15           in computing benefits of any member of the County Employees Retirement System who  
 16           also has an account with the Kentucky Employees Retirement System, the State Police  
 17           Retirement System, or the Teachers' Retirement System.

18           ➔SECTION 55. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 19 TO READ AS FOLLOWS:

20           (1) Except as otherwise provided by this section and Section 109 of this Act, all  
 21           retirement allowances and other benefits accrued or accruing to any person  
 22           under the provisions of KRS 78.510 to 78.852, and the accumulated account  
 23           balance and cash securities in the funds created under KRS 78.510 to 78.852, are  
 24           hereby exempt from any state, county, or municipal tax, and shall not be subject  
 25           to execution, attachment, garnishment, or any other process, and shall not be  
 26           assigned.

27           (2) Notwithstanding the provisions of subsection (1) of this section, retirement

1 benefits accrued or accruing to any person under the provisions of KRS 78.510 to  
2 78.852 on or after January 1, 1998, shall be subject to the tax imposed by KRS  
3 141.020, to the extent provided in KRS 141.010 and 141.0215.

4 (3) Qualified domestic relations orders issued by a court or administrative agency  
5 shall be honored by the retirement system if:

6 (a) The benefits payable pursuant to the order meet the requirements of a  
7 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The  
8 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)  
9 in administering qualified domestic relations orders;

10 (b) The order meets the requirements established by the system and by  
11 subsections (3) to (11) of this section. The board of trustees of the system  
12 shall establish the requirements, procedures, and forms necessary for the  
13 administration of qualified domestic relations orders by promulgation of  
14 administrative regulations in accordance with KRS Chapter 13A; and

15 (c) The order is on the form established by the system pursuant to the system's  
16 authority provided under paragraph (b) of this subsection.

17 (4) A qualified domestic relations order shall not:

18 (a) Require the system to take any action not authorized under state or federal  
19 law;

20 (b) Require the system to provide any benefit, allowance, or other payment not  
21 authorized under state or federal law;

22 (c) Grant or be construed to grant the alternate payee any separate right, title,  
23 or interest in or to any retirement benefit other than to receive payments  
24 from the participant's account in accordance with the administrative  
25 regulations promulgated by the system and as provided by subsections (3) to  
26 (11) of this section; or

27 (d) Grant any separate interest to any person other than the participant.

- 1 (5) Any qualified domestic relations order submitted to the system shall specify the  
2 dollar amount or percentage amount of the participant's benefit to be paid to the  
3 alternate payee. In calculating the amount to be paid to the alternate payee, the  
4 court or administrative agency that is responsible for issuing the order shall  
5 follow the requirements set forth in the administrative regulations promulgated  
6 by the board of trustees. Notwithstanding any other statute to the contrary, the  
7 board shall not be required to honor a qualified domestic relations order that  
8 does not follow the requirements set forth in the administrative regulations  
9 promulgated by the board of trustees.
- 10 (6) If the qualified domestic relations order meets the requirements established by  
11 the system and by subsections (3) to (11) of this section, payments to the alternate  
12 payee shall begin under the following conditions:
- 13 (a) If the participant is retired and is receiving a monthly retirement allowance,  
14 the month following the date the system receives a qualified domestic  
15 relations order that complies with the administrative regulations  
16 promulgated by the system and subsections (3) to (11) of this section; or
- 17 (b) If the participant is not retired, the month of the participant's effective  
18 retirement date in which the first retirement allowance is payable to the  
19 participant or the month in which the participant receives a refund of his or  
20 her accumulated account balance as provided by Section 45 of this Act.
- 21 (7) An alternate payee's benefits and rights under a qualified domestic relations  
22 order shall terminate upon the earlier of:
- 23 (a) The death of the participant;  
24 (b) The death of the alternate payee; or  
25 (c) The termination of the participant's benefits under any of the provisions of  
26 KRS 78.510 to 78.852.
- 27 (8) An alternate payee shall not receive a monthly payment under a qualified

1 domestic relations order if the participant is not receiving a monthly retirement  
2 allowance.

3 (9) The cost-of-living adjustment provided to the participant pursuant to Section 35  
4 of this Act shall be divided between the participant and alternate payee in a  
5 qualified domestic relations order as follows:

6 (a) If the order specifies the alternate payee is to receive a percentage of the  
7 participant's benefit, then the cost-of-living adjustment shall be divided  
8 between the participant and the alternate payee based upon the percentage  
9 of the total benefit each is receiving upon the participant's retirement or  
10 upon the date the order is approved by the system, whichever is later; or

11 (b) If the order specifies that the alternate payee is to receive a set dollar  
12 amount of the participant's benefit, then the order shall specify that:

13 1. The cost-of-living adjustment shall be divided between the participant  
14 and the alternate payee based upon the percentage of the total benefit  
15 each is receiving upon the participant's retirement or upon the date  
16 the order is approved by the retirement system, whichever is later; or

17 2. The alternate payee shall receive no cost-of-living adjustment.

18 If the order does not specify the division of the cost-of-living adjustment as  
19 required by this paragraph, then no cost-of-living adjustment shall be  
20 payable to the alternate payee. If no cost-of-living adjustment is provided to  
21 the alternate payee, then the participant shall receive the full cost-of-living  
22 adjustment he or she would have received if the order had not been applied  
23 to the participant's account.

24 (10) Except in cases involving child support payments, the system may charge  
25 reasonable and necessary fees and expenses to the recipient and the alternate  
26 payee of a qualified domestic relations order for the administration of the  
27 qualified domestic relations order by the system. All fees and expenses shall be

1 established by administrative regulations promulgated by the board of trustees of  
 2 the system. The qualified domestic relations order shall specify whether the fees  
 3 and expenses provided by this subsection shall be paid:

4 (a) Solely by the participant;

5 (b) Solely by the alternate payee; or

6 (c) Equally shared by the participant and alternate payee.

7 (11) The system shall honor a qualified domestic relations order issued prior to July  
 8 15, 2010, if:

9 (a) The order was on file and approved by the system prior to July 15, 2010. All  
 10 benefits, including cost-of-living adjustments payable to the alternate payee,  
 11 for orders that meet the requirements of this paragraph shall not be  
 12 eliminated or reduced as a result of the provisions of subsections (3) to (10)  
 13 of this section and subsection (26) of Section 12 of this Act; or

14 (b) The order or an amended version of the order meets the requirements  
 15 established by this section and the administrative regulations promulgated  
 16 by the system. The order shall not apply to benefit payments issued by the  
 17 system prior to the date the order was approved by the system.

18 ➔SECTION 56. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
 19 TO READ AS FOLLOWS:

20 (1) The County Employees Retirement System shall be administered by the board of  
 21 trustees composed of nine (9) members, who shall be selected as follows:

22 (a) Three (3) trustees, who shall be members of or retired from the County  
 23 Employees Retirement System, elected by the members and retired members  
 24 of the County Employees Retirement System, of which one (1) shall be  
 25 participating in or retired from a hazardous position;

26 (b) Six (6) trustees, of which:

27 1. Two (2) trustees shall be appointed by the Kentucky League of Cities,

1                   one (1) of which shall have investment experience and one (1) of  
2                   which shall have retirement experience;

3                   2. Two (2) trustees shall be appointed by the Kentucky Association of  
4                   Counties, one (1) of which shall have investment experience and one  
5                   (1) of which shall have retirement experience; and

6                   3. Two (2) trustees shall be appointed by the Kentucky School Boards  
7                   Association, one (1) of which shall have investment experience and  
8                   one (1) of which shall have retirement experience;

9                   (c) For purposes of paragraph (b) of this subsection, a trustee with "investment  
10                   experience" means an individual who does not have a conflict of interest, as  
11                   provided by Section 58 of this Act, and who has at least ten (10) years of  
12                   experience in one (1) of the following areas of expertise:

13                   1. A portfolio manager acting in a fiduciary capacity;

14                   2. A professional securities analyst or investment consultant;

15                   3. A current or retired employee or principal of a trust institution,  
16                   investment or finance organization, or endowment fund acting in an  
17                   investment-related capacity;

18                   4. A chartered financial analyst in good standing as determined by the  
19                   CFA Institute; or

20                   5. A university professor, teaching investment-related studies.

21                   The Kentucky League of Cities, Kentucky Association of Counties, and the  
22                   Kentucky School Boards Association shall request recommendations from  
23                   the CFA Society of Louisville in order to assist with the selection of board  
24                   members who must have investment experience; and

25                   (d) For purposes of paragraph (b) of this subsection, a trustee with "retirement  
26                   experience" means an individual who does not have a conflict of interest, as  
27                   provided by Section 58 of this Act, and who has at least ten (10) years of

1 experience in one (1) of the following areas of expertise:

2 1. Experience in retirement or pension plan management;

3 2. A certified public accountant with relevant experience in retirement or  
4 pension plan accounting;

5 3. An actuary with relevant experience in retirement or pension plan  
6 consulting;

7 4. An attorney licensed to practice law in the Commonwealth of  
8 Kentucky with relevant experience in retirement or pension plans; or

9 5. A current or former university professor whose primary area of  
10 emphasis is economics or finance.

11 (2) The board is hereby granted the powers and privileges of a corporation, including  
12 but not limited to the following powers:

13 (a) To sue and be sued in its corporate name;

14 (b) To make bylaws not inconsistent with the law;

15 (c) To conduct the business and promote the purposes for which it was formed;

16 (d) Except as provided in subsection (6) of Section 57 of this Act, to contract for  
17 investment counseling, actuarial, auditing, medical, and other professional  
18 or technical services as required to carry out the obligations of the board  
19 subject to the provisions of KRS Chapters 45, 45A, 56, and 57;

20 (e) To purchase fiduciary liability insurance;

21 (f) Except as provided in subsection (6) of Section 57 of this Act, to acquire,  
22 hold, sell, dispose of, pledge, lease, or mortgage, the goods or property  
23 necessary to exercise the board's powers and perform the board's duties  
24 without limitation subject to KRS Chapters 45, 45A, and 56; and

25 (g) The board shall reimburse any trustee, officer, or employee for any legal  
26 expense resulting from a civil action arising out of the performance of his  
27 official duties. The hourly rate of reimbursement for any contract for legal

1 services under this paragraph shall not exceed the maximum hourly rate  
2 provided in the Legal Services Duties and Maximum Rate Schedule  
3 promulgated by the Government Contract Review Committee established  
4 pursuant to KRS 45A.705, unless a higher rate is specifically approved by  
5 the secretary of the Finance and Administration Cabinet or his or her  
6 designee.

7 (3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall  
8 serve a term of four (4) years or until his successor is duly qualified except as  
9 otherwise provided in this section. An elected or appointed trustee, shall not serve  
10 more than three (3) consecutive four (4) year terms. An elected or appointed  
11 trustee who has served three (3) consecutive terms may be elected or appointed  
12 again after an absence of four (4) years from the board.

13 (4) (a) The trustees selected by the membership of the system shall be elected by  
14 ballot. For each trustee to be elected, the board may nominate, not less than  
15 six (6) months before a term of office of a trustee is due to expire, three (3)  
16 constitutionally eligible individuals.

17 (b) Individuals may be nominated by the system members by presenting to the  
18 executive director, not less than four (4) months before a term of office of a  
19 trustee is due to expire, a petition, bearing the name, last four (4) digits of  
20 the Social Security number, and signature of no less than one-tenth (1/10)  
21 of the number voting in the last election by the system members.

22 (c) Within four (4) months of the nominations made in accordance with  
23 paragraphs (a) and (b) of this subsection, the executive director shall cause  
24 to be prepared an official ballot. The ballot shall carry the name, address,  
25 and position title of each individual nominated by the board and by petition.  
26 Provisions shall also be made for write-in votes.

27 (d) The ballots shall be distributed to the eligible voters by mail to their last



1           known residence address.

2           (e) The ballots shall be addressed to the County Employees Retirement System  
3           in care of a predetermined box number at a United States Post Office  
4           located within Kentucky. Access to this post office box shall be limited to the  
5           board's contracted auditing firm. The individual receiving a plurality of  
6           votes shall be declared elected.

7           (f) The eligible voter shall cast his or her ballot by checking a square opposite  
8           the name of the candidate of his or her choice. He or she shall sign and  
9           mail the ballot at least thirty (30) days prior to the date the term to be filled  
10           is due to expire. The latest mailing date shall be printed on the ballot.

11           (g) The board's contracted auditing firm shall report in writing the outcome to  
12           the chair of the board of trustees. Costs of an election shall be payable from  
13           the funds of the system for which the trustee is elected.

14           (h) For purposes of this subsection, an eligible voter shall be a person who was  
15           a member of the system on December 31 of the year preceding the election  
16           year.

17           (i) Each individual who submits a request to be nominated by the board under  
18           paragraph (a) of this subsection and each individual who is nominated by  
19           the membership under paragraph (b) of this subsection shall:

20           1. Complete an application developed by the system which shall include  
21           but not be limited to a disclosure of any prior felonies and any  
22           conflicts of interest that would hinder the individual's ability to serve  
23           on the board;

24           2. Submit a resume detailing the individual's education and employment  
25           history and a cover letter detailing the member's qualifications for  
26           serving as trustee to the board; and

27           3. Authorize the system to have a criminal background check performed.

1                   *The criminal background check shall be performed by the Department*  
2                   *of Kentucky State Police.*

3 *(5) Any vacancy which may occur in an appointed position shall be filled in the same*  
4 *manner which provides for the selection of the particular trustee, and any*  
5 *vacancy which may occur in an elected position shall be filled by appointment by*  
6 *a majority vote of the remaining elected trustees; however, any vacancy shall be*  
7 *filled only for the duration of the unexpired term. In the event of a vacancy of an*  
8 *elected trustee, the system shall notify members of the vacancy and the*  
9 *opportunity to be considered for the vacant position. Any vacancy shall be filled*  
10 *within ninety (90) days of the position becoming vacant.*

11 *(6) (a) Membership on the board of trustees shall not be incompatible with any*  
12 *other office unless a constitutional incompatibility exists. No trustee shall*  
13 *serve in more than one (1) position as trustee on the board, and if a trustee*  
14 *holds more than one (1) position as trustee on the board, he shall resign a*  
15 *position.*

16 *(b) A trustee shall be removed from office upon conviction of a felony or for a*  
17 *finding of a violation of any provision of KRS 11A.020 or 11A.040 by a*  
18 *court of competent jurisdiction.*

19 *(c) A current or former employee of Kentucky Retirement Systems or the*  
20 *County Employees Retirement System shall not be eligible to serve as a*  
21 *member of the board.*

22 *(7) Trustees who do not otherwise receive a salary from the State Treasury shall*  
23 *receive a per diem of eighty dollars (\$80) for each day they are in session or on*  
24 *official duty, and they shall be reimbursed for their actual and necessary*  
25 *expenses in accordance with state administrative regulations and standards.*

26 *(8) (a) The board shall meet at least once in each quarter of the year and may meet*  
27 *in special session upon the call of the chair or the executive director.*

1       **(b) The board shall elect a chair and a vice chair. The chair shall not serve**  
2       **more than four (4) consecutive years as chair or vice chair of the board.**  
3       **The vice chair shall not serve more than four (4) consecutive years as chair**  
4       **or vice chair of the board. A trustee who has served four (4) consecutive**  
5       **years as chair or vice chair of the board may be elected chair or vice chair**  
6       **of the board after an absence of two (2) years from the positions.**

7       **(c) A majority of the trustees shall constitute a quorum and all actions taken by**  
8       **the board shall be by affirmative vote of a majority of the trustees present.**

9       **(9) (a) The board of trustees shall appoint or contract for the services of an**  
10       **executive director and fix the compensation and other terms of employment**  
11       **for this position without limitation of the provisions of KRS Chapters 18A**  
12       **and 45A and KRS 64.640. The executive director shall be the chief**  
13       **administrative officer of the board.**

14       **(b) The board of trustees shall authorize the executive director to appoint the**  
15       **employees deemed necessary to transact the business of the system.**  
16       **Anything in the Kentucky Revised Statutes to the contrary notwithstanding,**  
17       **the power over and control of determining and maintaining an adequate**  
18       **complement of employees shall be under the exclusive jurisdiction of the**  
19       **board of trustees.**

20       **(c) The board shall adopt a fair, equitable, and comprehensive personnel policy**  
21       **with a minimum of the following provisions for the personnel system:**

22       **1. A code of conduct including provisions describing performance of**  
23       **duties, abuse of position, conflicts of interest, and outside**  
24       **employment;**

25       **2. An appointments plan including provisions describing the appointing**  
26       **authority, appointments, equal employment policy, sexual harassment**  
27       **policy, and drug-free workplace policy;**

- 1           3. A classification plan including provisions describing class  
2           specifications, position actions, and employee actions;
- 3           4. A compensation plan based on qualifications, experience, and  
4           responsibilities and including provisions which describe a salary  
5           schedule, salary adjustments, salary advancements, and an employee  
6           suggestion program;
- 7           5. Separations, disciplinary actions, and appeal policies including  
8           provisions describing classified with status, exemptions from classified  
9           with status, lay-offs, abolishment of position, dismissals and  
10           notification of dismissal, dismissals during probationary period,  
11           disciplinary actions, right of appeal, grievance and appeal procedures,  
12           and an employee grievance and appeal committee;
- 13           6. Service and benefits regulations including provisions describing hours  
14           of work, fringe benefits, workers' compensation, payroll deductions,  
15           holidays, inclement weather days, compensatory time, retirement,  
16           resignations, employee evaluations, and political activities; and
- 17           7. Leave policies including provisions describing special leave, annual  
18           leave, court leave and jury duty, military leave, voting leave,  
19           educational leave, sick leave, family medical leave, leave without pay,  
20           absence without leave, and blood donation leave.
- 21           (d) The board shall require the executive director and the employees as it thinks  
22           proper to execute bonds for the faithful performance of their duties  
23           notwithstanding the limitations of KRS Chapter 62.
- 24           (e) The board shall establish a system of accounting.
- 25           (f) The board shall do all things, take all actions, and promulgate all  
26           administrative regulations, not inconsistent with the provisions of KRS  
27           78.510 to 78.852, necessary or proper in order to carry out the provisions of

1           KRS 78.510 to 78.852. Notwithstanding any other evidence of legislative  
2           intent, it is hereby declared to be the controlling legislative intent that the  
3           provisions of KRS 78.510 to 78.852 conform with federal statute or  
4           regulation and meet the qualification requirements under 26 U.S.C. sec.  
5           401(a), applicable federal regulations, and other published guidance.  
6           Provisions of KRS 78.510 to 78.852 which conflict with federal statute or  
7           regulation or qualification under 26 U.S.C. sec. 401(a), applicable federal  
8           regulations, and other published guidance shall not be available. The board  
9           shall have the authority to promulgate administrative regulations to  
10           conform with federal statute and regulation and to meet the qualification  
11           requirements under 26 U.S.C. sec. 401(a), including an administrative  
12           regulation to comply with 26 U.S.C. sec. 401(a)(9).

13           (g) Notwithstanding any other provision of statute to the contrary, including  
14           but not limited to any provision of KRS Chapter 12, the Governor shall have  
15           no authority to change any provision of KRS 78.510 to 78.852 by executive  
16           order or action.

17           (10) All employees of the board shall serve during its will and pleasure.  
18           Notwithstanding any statute to the contrary, employees shall not be considered  
19           legislative agents under KRS 6.611.

20           (11) The Attorney General, or an assistant designated by him, may attend each  
21           meeting of the board and may receive the agenda, board minutes, and other  
22           information distributed to trustees of the board upon request. The Attorney  
23           General may act as legal adviser and attorney for the board, and the board may  
24           contract for legal services, notwithstanding the limitations of KRS Chapter 12 or  
25           13B.

26           (12) (a) The system shall publish an annual financial report showing all receipts,  
27           disbursements, assets, and liabilities. The annual report shall include a copy

1 of an audit conducted in accordance with generally accepted auditing  
2 standards. Except as provided by paragraph (b) of this subsection, the board  
3 may select an independent certified public accountant or the Auditor of  
4 Public Accounts to perform the audit. If the audit is performed by an  
5 independent certified public accountant, the Auditor of Public Accounts  
6 shall not be required to perform an audit pursuant to KRS 43.050(2)(a), but  
7 may perform an audit at his or her discretion. All proceedings and records  
8 of the board shall be open for inspection by the public. The system shall  
9 make copies of the audit required by this subsection available for  
10 examination by any member, retiree, or beneficiary in the offices of the  
11 County Employees Retirement System and in other places as necessary to  
12 make the audit available to all members, retirees, and beneficiaries. A copy  
13 of the annual audit shall be sent to the Legislative Research Commission no  
14 later than ten (10) days after receipt by the board.

15 (b) At least once every five (5) years, the Auditor of Public Accounts shall  
16 perform the audit described by this subsection, and the system shall  
17 reimburse the Auditor of Public Accounts for all costs of the audit. The  
18 Auditor of Public Accounts shall determine which fiscal year during the  
19 five (5) year period the audit prescribed by this paragraph will be completed.

20 (13) All expenses incurred by or on behalf of the system and the board in the  
21 administration of the system during a fiscal year shall be paid from the  
22 retirement allowance account.

23 (14) Any person adversely affected by a decision of the board, except as provided  
24 under subsection (16) of this section or Section 40 of this Act, involving KRS  
25 78.510 to 78.852, may appeal the decision of the board to the Franklin Circuit  
26 Court within sixty (60) days of the board action.

27 (15) (a) A trustee shall discharge his or her duties as a trustee, including his or her

1 duties as a member of a committee:

2 1. In good faith;

3 2. On an informed basis; and

4 3. In a manner he or she honestly believes to be in the best interest of the  
5 County Employees Retirement System.

6 (b) A trustee discharges his or her duties on an informed basis if, when he or  
7 she makes an inquiry into the business and affairs of the system or into a  
8 particular action to be taken or decision to be made, he or she exercises the  
9 care an ordinary prudent person in a like position would exercise under  
10 similar circumstances.

11 (c) In discharging his or her duties, a trustee may rely on information,  
12 opinions, reports, or statements, including financial statements and other  
13 financial data, if prepared or presented by:

14 1. One (1) or more officers or employees of the system whom the trustee  
15 honestly believes to be reliable and competent in the matters  
16 presented;

17 2. Legal counsel, public accountants, actuaries, or other persons as to  
18 matters the trustee honestly believes are within the person's  
19 professional or expert competence; or

20 3. A committee of the board of trustees of which he or she is not a  
21 member if the trustee honestly believes the committee merits  
22 confidence.

23 (d) A trustee shall not be considered as acting in good faith if he or she has  
24 knowledge concerning the matter in question that makes reliance otherwise  
25 permitted by paragraph (c) of this subsection unwarranted.

26 (e) Any action taken as a trustee, or any failure to take any action as a trustee,  
27 shall not be the basis for monetary damages or injunctive relief unless:

- 1           1. The trustee has breached or failed to perform the duties of the  
2           trustee's office in compliance with this section; and
- 3           2. In the case of an action for monetary damages, the breach or failure  
4           to perform constitutes willful misconduct or wanton or reckless  
5           disregard for human rights, safety, or property.
- 6           (f) A person bringing an action for monetary damages under this section shall  
7           have the burden of proving by clear and convincing evidence the provisions  
8           of paragraph (e)1. and 2. of this subsection, and the burden of proving that  
9           the breach or failure to perform was the legal cause of damages suffered by  
10           the system.
- 11           (g) In discharging his or her administrative duties under this section, a trustee  
12           shall strive to administer the system in an efficient and cost-effective  
13           manner for the taxpayers of the Commonwealth of Kentucky.
- 14           (16) When an order by the system substantially impairs the benefits or rights of a  
15           member, retired member, or recipient, except action which relates to entitlement  
16           to disability benefits, the affected member, retired member, or recipient may  
17           request a hearing to be held in accordance with KRS Chapter 13B. The board  
18           may establish an appeals committee whose members shall be appointed by the  
19           chair and who shall have authority to act upon the recommendations and reports  
20           of the hearing officer on behalf of the board. The member, retired member,  
21           recipient, or employer aggrieved by a final order of the board following the  
22           hearing may appeal the decision to the Franklin Circuit Court, in accordance  
23           with KRS Chapter 13B.
- 24           (17) The board shall establish a formal trustee education program for all trustees of  
25           the board. The program shall include but not be limited to the following:
- 26           (a) A required orientation program for all new trustees elected or appointed to  
27           the board. The orientation program shall include training on:



- 1           1. Benefits and benefits administration;  
2           2. Investment concepts, policies, and current composition and  
3           administration of retirement systems investments;  
4           3. Laws, bylaws, and administrative regulations pertaining to the  
5           retirement systems and to fiduciaries; and  
6           4. Actuarial and financial concepts pertaining to the system.

7           If a trustee fails to complete the orientation program within one (1) year  
8           from the beginning of his or her first term on the board, the system shall  
9           withhold payment of the per diem and travel expenses due to the board  
10           member under this section until the trustee has completed the orientation  
11           program;

12           (b) Annual required training for board members on the administration,  
13           benefits, financing, and investing of the system. If a trustee fails to complete  
14           the annual required training during the calendar or fiscal year, the  
15           retirement systems shall withhold payment of the per diem and travel  
16           expenses due to the board member under this section until the board  
17           member has met the annual training requirements; and

18           (c) The system shall incorporate by reference in an administrative regulation,  
19           pursuant to KRS 13A.2251, the trustee education program.

20           (18) In order to improve public transparency regarding the administration of the  
21           systems, the board of trustees shall adopt a best practices model by posting the  
22           following information to the system's Web site and shall make available to the  
23           public:

24           (a) Meeting notices and agendas for all meetings of the board. Notices and  
25           agendas shall be posted to the system's Web site at least seventy-two (72)  
26           hours in advance of the board or committee meetings, except in the case of  
27           special or emergency meetings as provided by KRS 61.823;

1       **(b) The Comprehensive Annual Financial Report with the information as**  
2       **follows:**

3       **1. A general overview and update on the system by the executive director;**

4       **2. A listing of the board of trustees;**

5       **3. A listing of key staff;**

6       **4. An organizational chart;**

7       **5. Financial information, including a statement of plan net assets, a**  
8       **statement of changes in plan net assets, an actuarial value of assets, a**  
9       **schedule of investments, a statement of funded status and funding**  
10       **progress, and other supporting data;**

11       **6. Investment information, including a general overview, a list of the**  
12       **system's professional consultants, a total net of fees return on system**  
13       **investments over a historical period, an investment summary,**  
14       **contracted investment management expenses, transaction**  
15       **commissions, and a schedule of investments;**

16       **7. The annual actuarial valuation report on the pension benefit and the**  
17       **medical insurance benefit; and**

18       **8. A general statistical section, including information on contributions,**  
19       **benefit payouts, and retirement systems' demographic data;**

20       **(c) All external audits;**

21       **(d) All board minutes or other materials that require adoption or ratification by**  
22       **the board of trustees. The items listed in this paragraph shall be posted**  
23       **within seventy-two (72) hours of adoption or ratification of the board;**

24       **(e) All bylaws, policies, or procedures adopted or ratified by the board of**  
25       **trustees;**

26       **(f) The system's summary plan description;**

27       **(g) A document containing an unofficial copy of the statutes governing the**

1 system;

2 (h) A listing of the members of the board of trustees and membership on each  
3 committee established by the board, including any investment committees;

4 (i) All investment holdings in aggregate, fees, and commissions for each fund  
5 administered by the board, which shall be updated on a quarterly basis  
6 beginning on or after July 1, 2018. The system shall request from all  
7 managers, partnerships, and any other available sources all information  
8 regarding fees and commissions and shall, based on the requested  
9 information received:

10 1. Disclose the dollar value of fees and commissions paid to each  
11 individual manager or partnership;

12 2. Disclose the dollar value of any profit sharing, carried interest, or any  
13 other partnership incentive arrangements, partnership agreements, or  
14 any other partnership expenses received by or paid to each manager or  
15 partnership; and

16 3. As applicable, report each fee or commission by manager or  
17 partnership consistent with standards established by the Institutional  
18 Limited Partners Association (ILPA).

19 In addition to the requirements of this paragraph, the system shall also  
20 disclose the name and address of all individual underlying managers or  
21 partners in any fund of funds in which system assets are invested;

22 (j) An update of net of fees investment returns, asset allocations, and the  
23 performance of the funds against benchmarks adopted by the board for  
24 each fund, for each asset class administered by the board, and for each  
25 manager. The update shall be posted on a quarterly basis for fiscal years  
26 beginning on or after July 1, 2018;

27 (k) A searchable database of the system's expenditures and a listing of each

1           individual employed by the system along with the employee's salary or  
2           wages;

3           (l) All contracts or offering documents for services, goods, or property  
4           purchased or utilized by the systems; and

5           (m) Information regarding the system's financial and actuarial condition that  
6           can be easily understood by the members, retired members, and the public.

7           (19) Notwithstanding the requirements of subsection (18) of this section, the system  
8           shall not be required to furnish information that is protected under Section 60 of  
9           this Act, exempt under KRS 61.878, or that, if disclosed, would compromise the  
10           system's ability to competitively invest in real estate or other asset classes, except  
11           that no provision of this section or KRS 61.878 shall exclude disclosure and  
12           review of all contracts, including investment contracts, by the board, the Auditor  
13           of Public Accounts, and the Government Contract Review Committee established  
14           pursuant to KRS 45A.705 or the disclosure of investment fees and commissions  
15           as provided by this section. If any public record contains material which is not  
16           excepted under this section, the system shall separate the excepted material by  
17           removal, segregation, or redaction, and make the nonexcepted material available  
18           for examination.

19           (20) Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary, no  
20           funds of the County Employees Retirement System, including fees and  
21           commissions paid to an investment manager, private fund, or company issuing  
22           securities, who manages systems assets, shall be used to pay fees and  
23           commissions to placement agents. For purposes of this subsection, "placement  
24           agent" means a third-party individual, who is not an employee, or firm, wholly or  
25           partially owned by the entity being hired, who solicits investments on behalf of an  
26           investment manager, private fund, or company issuing securities.

27           ➔Section 57. KRS 78.790 is amended to read as follows:

1 (1) (a) The board shall be the trustee of the several funds created by KRS 78.510 to  
2 78.852, and shall have full power to invest and reinvest such funds in  
3 accordance with federal law~~[subject to the limitations that no investments~~  
4 ~~shall be made except upon the exercise of bona fide discretion, in securities~~  
5 ~~which, at the time of making the investment, are, by law, permitted for the~~  
6 ~~investment of funds by fiduciaries in this state except that the board may, at its~~  
7 ~~discretion, purchase common stocks in corporations that do not have a record~~  
8 ~~of paying dividends to their stockholders. Subject to such limitations, the~~  
9 ~~board shall have full power to hold, purchase, sell, assign, transfer or dispose~~  
10 ~~of any of the securities or investments in which any of the funds created herein~~  
11 ~~have been invested, as well as of the proceeds of such investments and any~~  
12 ~~moneys belonging to such funds].~~

13 (b) The board shall establish an investment committee that shall include  
14 members of the board with investment experience, elected members, or  
15 other members as determined by the board chair, and may also include non-  
16 voting members who have investment expertise.

17 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with  
18 respect to the system:

19 1. Solely in the interest of the members and beneficiaries;

20 2. For the exclusive purpose of providing benefits to members and  
21 beneficiaries and paying reasonable expenses of administering the  
22 system;

23 3. With the care, skill, and caution under the circumstances then  
24 prevailing that a prudent person acting in a like capacity and familiar  
25 with those matters would use in the conduct of an activity of like  
26 character and purpose;

27 4. Impartially, taking into account any differing interests of members

1 and beneficiaries;

2 5. Incurring any costs that are appropriate and reasonable; and

3 6. In accordance with a good-faith interpretation of the law governing  
4 the system.

5 (d) In addition to the standards of conduct prescribed by paragraph (c) of this  
6 subsection, all individuals associated with the investment and management  
7 of system assets, whether contracted investment advisors, board members,  
8 or staff employees, shall adhere to "The Code of Ethics and Standards of  
9 Professional Conduct," the "Asset Manager Code of Professional  
10 Conduct" if the individual is managing system assets, and the "Code of  
11 Conduct for Members of a Pension Scheme Governing Body" if the  
12 individual is a board member. All codes cited in this paragraph are  
13 promulgated by the CFA Institute.

14 (2) All securities acquired under the authority of KRS 78.510 to 78.852 shall be  
15 registered in the name County Employees Retirement System[Kentucky Retirement  
16 Systems] or nominee name as provided by KRS 286.3-225 and every change in  
17 registration, by reason of sale or assignment of such securities, shall be  
18 accomplished pursuant to written policies adopted by the board.

19 (3) The board, in keeping with its responsibility as the trustee and wherever feasible,  
20 shall give priority to the investment of funds in obligations calculated to improve  
21 the industrial development and enhance the economic welfare of the  
22 Commonwealth.

23 (4) The contents of real estate appraisals, engineering or feasibility estimates, and  
24 evaluations made by or for the system relative to the acquisition or disposition of  
25 property, until such time as all of the property has been acquired or sold, shall be  
26 excluded from the application of KRS 61.870 to 61.884 and shall be subject to  
27 inspection only upon order of a court of competent jurisdiction[investment

1 ~~committee established pursuant to KRS 61.650 shall serve as the investment~~  
2 ~~committee of the funds established by KRS 78.510 to 78.852].~~

3 (5) Based upon market value at the time of purchase, the board shall limit the amount  
4 of assets managed by any one (1) active or passive investment manager to fifteen  
5 percent (15%) of the assets in the pension and insurance funds.

6 **(6) All contracts for the investment or management of assets of the system shall not**  
7 **be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct**  
8 **the following process to develop and adopt an investment procurement policy**  
9 **with which all prospective contracts for the investment or management of assets**  
10 **of the system shall comply:**

11 **(a) On or before January 1, 2019, the board shall consult with the secretary of**  
12 **the Finance and Administration Cabinet or his or her designee to develop**  
13 **an investment procurement policy, which shall be written to meet best**  
14 **practices in investment management procurement;**

15 **(b) Thirty (30) days prior to adoption, the board shall tender the preliminary**  
16 **investment procurement policy to the secretary of the Finance and**  
17 **Administration Cabinet or his or her designee for review and comment;**

18 **(c) Upon receipt of comments from the secretary of the Finance and**  
19 **Administration Cabinet or his or her designee, the board shall choose to**  
20 **adopt or not adopt any recommended changes;**

21 **(d) Upon adoption, the board shall tender the final investment procurement**  
22 **policy to the secretary of the Finance and Administration Cabinet or his or**  
23 **her designee;**

24 **(e) No later than thirty (30) days after receipt of the investment procurement**  
25 **policy, the secretary or his or her designee shall certify whether the board's**  
26 **investment procurement policy meets or does not meet best practices for**  
27 **investment management procurement; and**

1 (f) Any amendments to the investment procurement policy shall adhere to the  
2 requirements set forth by paragraphs (b) to (e) of this subsection.

3 ➔SECTION 58. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
4 TO READ AS FOLLOWS:

5 No trustee or employee of the County Employees Retirement System board shall:

6 (1) Have any interest, direct or indirect, in the gains or profits of any investment or  
7 transaction made by the board, except insofar as any such trustee or employee  
8 may be a member, employee, or beneficiary of the system;

9 (2) Directly or indirectly, for himself or herself or as an agent, use the assets of the  
10 system, except to make current and necessary payments authorized by the board;

11 (3) Become an indorser or surety or in any manner an obligor for moneys loaned by  
12 or borrowed from the board;

13 (4) Have a contract or agreement with the system, individually or through a business  
14 owned by the trustee or the employee;

15 (5) Use his or her official position with the system to obtain a financial gain or  
16 benefit or advantage for himself or herself or a family member;

17 (6) Use confidential information acquired during his or her tenure with the system to  
18 further his or her own economic interests or that of another person; or

19 (7) Hold outside employment with, or accept compensation from, any person or  
20 business with which he or she has involvement as part of his or her official  
21 position with the system. The provisions of this subsection shall not prohibit a  
22 trustee from serving as an employee of an agency participating in the County  
23 Employees Retirement System.

24 ➔SECTION 59. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
25 TO READ AS FOLLOWS:

26 (1) The State Treasurer shall be the custodian of the funds received under authority  
27 of KRS 78.510 to 78.852 and shall be responsible for the safekeeping of all cash



1 and securities in his custody. All payments from the fund shall be made by him or  
2 her on warrants issued by the Finance and Administration Cabinet. Payments  
3 may be in the form of checks, which shall clearly show on the envelope or other  
4 mailing device the name and address of the County Employees Retirement  
5 System, or direct deposit bank transfers.

6 (2) The board shall appoint one (1) or more custodians of the cash and securities  
7 acquired under authority of KRS 78.510 to 78.852, and each custodian shall be  
8 responsible for the safekeeping of all cash and securities in his or her custody.

9 ➔SECTION 60. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
10 TO READ AS FOLLOWS:

11 (1) Each current, former, or retired member's account shall be administered in a  
12 confidential manner and specific data regarding a current, former, or retired  
13 member shall not be released for publication except as authorized by the member  
14 or as provided by subsection (7) of this section; however, the system may release  
15 account information to the employer or to other state and federal agencies as it  
16 deems necessary or in response to a lawful subpoena or order issued by a court of  
17 law. The current, former, or retired member's account shall be exempt from the  
18 provisions of KRS 171.410 to 171.990.

19 (2) When a subpoena is served upon any employee of the County Employees  
20 Retirement System, requiring production of any specific data regarding a current,  
21 former, or retired member, it is sufficient if the employee of the system charged  
22 with the responsibility of being custodian of the original delivers within five (5)  
23 working days, by certified mail or by personal delivery, legible and durable copies  
24 of records, certified by the employee, or an affidavit stating the information  
25 required by the subpoena to the person specified in the subpoena. The production  
26 of documents or an affidavit shall be in lieu of any personal testimony of any  
27 employee of the system unless, after the production of documents or affidavit, a

- 1 separate subpoena is served upon the system specifically directing the testimony  
2 of an employee of the system. When a subpoena is served on any employee of the  
3 system requiring the employee to give deposition for any purpose, in the absence  
4 of a court order requiring the deposition of a specific employee, the system may  
5 designate an employee to be deposed upon the matter referred to in the subpoena.
- 6 (3) The certification shall be signed before a notary public by the employee and shall  
7 include the full name of the member, the member's Social Security number, and  
8 a legend substantially to the following effect: "The records are true and complete  
9 reproductions of the original or microfiched records which are housed in the  
10 retirement systems office. This certification is given in lieu of his or her personal  
11 appearance."
- 12 (4) When an affidavit or copies of records are personally delivered, a receipt shall be  
13 presented to the person receiving the records for his signature and shall be  
14 immediately signed and returned to the person delivering the records. When an  
15 affidavit or copies of records are sent via certified mail, the receipt used by the  
16 postal authorities shall be sufficient to prove delivery and receipt of the affidavit  
17 or copies of records.
- 18 (5) When the affidavit or copies of records are delivered to a party for use in  
19 deposition, they shall, after termination of the deposition, be delivered personally  
20 or by certified mail to the clerk of the court or other body before which the action  
21 or proceeding is pending. It shall be the responsibility of the party or attorney to  
22 transmit the receipt obtained to the employee of the system charged with  
23 responsibility of being custodian of the original. Upon issuance of a final order  
24 terminating the case and after the normal retention period for court records  
25 expires, the affidavit or copies of records shall be permanently disposed of by the  
26 clerk in a manner that protects the confidentiality of the information contained  
27 therein.

1 (6) Records of the system that are susceptible to photostatic reproduction may be  
2 proved as to foundation, identity, and authenticity without any preliminary  
3 testimony, by use of legible and durable copies, certified in accordance with the  
4 provisions of this section.

5 (7) (a) 1. Upon request by any person, the County Employees Retirement  
6 System shall release the following information from the accounts of  
7 any member or retiree of the system, if the member or retiree was a  
8 current or former officeholder in the Kentucky General Assembly:

9 a. The first and last name of the member or retiree;

10 b. The status of the member or retiree, including but not limited to  
11 whether he or she is a contributing member, a member who is  
12 not currently contributing to the plans but has not retired, or a  
13 retiree drawing a monthly retirement allowance;

14 c. If the individual is a retiree, the monthly retirement allowance  
15 that he or she was receiving at the end of the most recently  
16 completed fiscal year; and

17 d. If the individual is a member who has not yet retired, the  
18 estimated monthly retirement allowance that he or she is eligible  
19 to receive on the first date he or she would be eligible for an  
20 unreduced retirement allowance, using his or her service credit,  
21 final compensation, and accumulated account balance at the end  
22 of the most recently completed fiscal year.

23 2. No information shall be disclosed under this paragraph from an  
24 account that is paying benefits to a beneficiary due to the death of a  
25 member or retiree.

26 (b) The release of information under paragraph (a) of this subsection shall not  
27 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

1           ➔SECTION 61. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED  
2 TO READ AS FOLLOWS:

3 *Notwithstanding any other provisions of KRS 78.510 to 78.852, a maximum disability*  
4 *benefit is hereby established which shall apply, upon disability retirement, to any*  
5 *disabled employee's account to which service credit is added to determine disability*  
6 *benefits or in any case where disability benefits are determined by computing a*  
7 *percentage of the disabled employee's final monthly rate of pay. The maximum*  
8 *disability benefit shall be determined by the following formula:*

9 *(1) Add the monthly benefit payable to the disabled employee from the system, using*  
10 *the monthly disability retirement allowance without any reduction due to the*  
11 *selection of an optional payment plan under Section 34 of this Act but excluding*  
12 *dependent children's allowances, if any, to his or her monthly benefit, if any,*  
13 *from Social Security, even though these payments may not begin for a period of*  
14 *time as required for qualification under the federal Social Security law,*  
15 *excluding spouse or dependent benefits, and his or her monthly benefit, if any,*  
16 *from workers' compensation, even though these payments may not have begun as*  
17 *of the date the disabled member applies for disability retirement benefits,*  
18 *excluding spouse or dependent children's allowances, from workers'*  
19 *compensation, to arrive at a projected combined monthly benefit.*

20 *(2) If the projected combined monthly benefit exceeds one hundred percent (100%)*  
21 *of the disabled employee's final rate of pay or his or her final compensation,*  
22 *whichever is greater, his or her disability retirement allowance from the system*  
23 *shall be reduced to an amount which would cause his or her projected combined*  
24 *monthly benefit to equal one hundred percent (100%) of his or her final rate of*  
25 *pay or his or her final compensation, whichever is greater; however, the disability*  
26 *retirement allowance shall not be reduced below an amount which would result*  
27 *from a computation of his or her disability retirement allowance from the system*

1 using the disabled employee's actual total service.

2 (3) The system may pay estimated benefits to a disabled employee, upon qualification  
3 for disability retirement, based on an estimate of his or her Social Security and  
4 workers' compensation benefits until the amounts are actually determined, at  
5 which time a final calculation of the member's actual benefits shall be  
6 determined and his account corrected retroactive to his or her effective retirement  
7 date.

8 (4) Any increase in Social Security benefits or workers' compensation benefits which  
9 becomes law, regardless of their effective date, subsequent to the disabled  
10 employee's effective retirement date, shall not be considered in determination of  
11 the maximum benefit payable, as the maximum benefit payable is based on the  
12 amount of combined benefits under these programs as of the disabled employee's  
13 effective retirement date.

14 (5) Any disabled recipient whose potential payments from the system were reduced as  
15 provided for in this section shall advise the system if his or her payments under  
16 the Federal Social Security Act or Workers' Compensation Act cease at any time  
17 subsequent to his or her effective retirement date. Upon investigation, if the  
18 system determines that the disabled recipient continues to be eligible for disability  
19 benefits, the system may increase his or her retirement allowance by adding to his  
20 or her payment an amount equal to the reduction applied upon the effective  
21 retirement date in accordance with subsection (2) of this section.

22 (6) The amount of combined disability benefit payments made to an individual on or  
23 after July 1, 2018, from the Kentucky Retirement Systems or the County  
24 Employees Retirement System shall not be increased as a result of the passage of  
25 this Act.

26 ➔Section 62. KRS 78.852 is amended to read as follows:

27 (1) For members who begin participating in the County Employees Retirement System

1 prior to January 1, 2014, it is hereby declared that in consideration of the  
2 contributions by the members and in further consideration of benefits received by  
3 the county from the member's employment, KRS 78.510 to 78.852 shall, except as  
4 provided in KRS 6.696 effective September 16, 1993, constitute an inviolable  
5 contract of the Commonwealth, and the benefits provided therein shall, except as  
6 provided in KRS 6.696, not be subject to reduction or impairment by alteration,  
7 amendment, or repeal.

8 (2) (a) For members who begin participating in the County Employees Retirement  
9 System on or after January 1, 2014, the General Assembly reserves the right to  
10 amend, suspend, or reduce the benefits and rights provided under KRS 78.510  
11 to 78.852 if, in its judgment, the welfare of the Commonwealth so demands,  
12 except that the amount of benefits the member has accrued at the time of  
13 amendment, suspension, or reduction shall not be affected.

14 (b) For purposes of this subsection, the amount of benefits the member has  
15 accrued at the time of amendment, suspension, or reduction shall be limited to  
16 the accumulated account balance the member has accrued at the time of  
17 amendment, suspension, or reduction.

18 (c) The provisions of this subsection shall not be construed to limit the General  
19 Assembly's authority to change any other benefit or right specified by KRS  
20 78.510 to 78.852, except the benefits specified by paragraph (b) of this  
21 subsection, for members who begin participating in the County Employees  
22 Retirement System on or after January 1, 2014.

23 (3) The provisions of this section shall not be construed to limit the General Assembly's  
24 authority to amend, reduce, or suspend the benefits and rights of members of the  
25 County Employees Retirement System as provided by KRS 78.510 to 78.852 that  
26 the General Assembly had the authority to amend, reduce, or suspend, prior to July  
27 1, 2013.

1 **(4) Notwithstanding any other provision of state statute to the contrary, responsibility**  
 2 **for funding the provisions of KRS 78.510 to 78.852, including any contractual**  
 3 **obligations under this section, shall be the responsibility of the employers**  
 4 **participating in the County Employees Retirement System. For any employer**  
 5 **failing to fund the requirements of KRS 78.510 to 78.852, the board shall have**  
 6 **the full authority under the law to:**

7 **(a) Require the employer to involuntarily cease participating and pay all costs**  
 8 **for ceasing participation as provided by Section 13 of this Act; or**

9 **(b) Suspend benefit payments and refunds or to seek legal action as provided by**  
 10 **Section 23 of this Act for any employer failing to fund the requirements of**  
 11 **KRS 78.510 to 78.852.**

12 ➔Section 63. KRS 78.550 is amended to read as follows:

13 Any person who is an employee on the date his county first participates in the system,  
 14 either in service or on leave from service, who does not elect within the time set forth in  
 15 KRS 78.510 to 78.852 to become a member and thereby make contributions required of  
 16 him by KRS 78.510 to 78.852, shall forfeit all right for credit for service with any county  
 17 prior to the date he might subsequently elect to become a member, except as provided in  
 18 **Section 20 of this Act**~~[KRS 61.552]~~ or 78.530(3)(d).

19 ➔Section 64. KRS 6.350 is amended to read as follows:

20 (1) A bill which would increase or decrease the benefits or increase or decrease  
 21 participation in the benefits or change the actuarial accrued liability of any state-  
 22 administered retirement system shall not be reported from a legislative committee of  
 23 either house of the General Assembly for consideration by the full membership of  
 24 that house unless the bill is accompanied by an actuarial analysis.

25 (2) (a) An actuarial analysis required by this section shall show the economic effect  
 26 of the bill on the state-administered retirement system over a twenty (20) year  
 27 period, including:

- 1           1.    An estimate of the effect on the unfunded actuarial accrued liabilities  
2                    and funding levels of the affected systems; and
- 3           2.    A projection of the annual employer costs to the systems of  
4                    implementing the legislation over the twenty (20) year period. The  
5                    annual employer cost projection shall include the effect on the  
6                    contributions of participating employers as a percentage of total payroll  
7                    and in total dollars of contributions.
- 8           (b)  If a bill affects more than one (1) state-administered retirement system, the  
9                    actuarial analysis shall project costs for each affected state-administered  
10                   retirement system.
- 11          (c)  A statement that the cost is negligible or indeterminable shall not be  
12                    considered in compliance with this section. If a cost cannot be determined by  
13                    the actuary in accordance with paragraph (a) of this subsection, then the  
14                    systems shall certify in writing:
  - 15                    1.    The estimated number of individuals affected;
  - 16                    2.    The estimated change in benefit payments;
  - 17                    3.    The estimated change to employer costs; and
  - 18                    4.    The estimated change to administrative expenses.
- 19          (d)  An actuarial analysis shall state the actuarial assumptions and methods of  
20                    computation used in the analysis and shall state whether or not the bill or  
21                    resolution, if enacted, would, in the opinion of the actuary, make the affected  
22                    state-administered retirement system actuarially unsound or, in the case of a  
23                    system already actuarially unsound, more unsound. Actuarial cost methods  
24                    and assumptions that meet actuarial standards of practice established by the  
25                    Actuarial Standards Board shall be used in all cost projections.
- 26          (e)  An actuarial analysis required by this section shall be prepared by an actuary  
27                    who is a fellow of the Conference of Consulting Actuaries or a member of the



1 American Academy of Actuaries.

2 (3) (a) An actuary commissioned to make an actuarial analysis that is required by this  
3 section, or for the purpose of seeking appropriations for a state-administered  
4 retirement system, shall include in the analysis a complete definition of each  
5 actuarial term used in the analysis and, either in the analysis or in a separate  
6 actuarial valuation report made available as a public record, an enumeration  
7 and explanation of each actuarial assumption used to complete the actuarial  
8 analysis.

9 (b) If the actuary commissioned to complete the actuarial analysis is relying upon  
10 assumptions that have not been previously established by the actuary in an  
11 actuarial valuation of the affected state-administered retirement system, the  
12 actuary shall clearly note and describe the new assumption and the basis for  
13 selecting the assumption.

14 (4) The actuarial analysis required by this section shall be completed by the actuary  
15 retained by the affected state-administered retirement system. The state-  
16 administered retirement systems shall provide the analysis without cost to the  
17 General Assembly.

18 (5) For purposes of this section, the terms:

19 (a) "State-administered retirement system" shall include:

- 20 1. The Kentucky Employees Retirement System~~[, the County Employees~~  
21 ~~Retirement System,]~~ and the State Police Retirement System  
22 administered by the Kentucky Retirement Systems and established under  
23 the provisions of KRS 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and~~  
24 ~~78.510 to 78.852]~~;
- 25 2. The Kentucky Teachers' Retirement System established under KRS  
26 161.220 to 161.716;
- 27 3. The Judicial Retirement Plan established under KRS 21.345 to 21.580;

1                   ~~[and]~~

2                   4.    The Legislators' Retirement Plan established under KRS 6.500 to 6.577;

3                   and

4                   **5.    The County Employees Retirement System established under KRS**

5                   **78.510 to 78.852; and**

6                   (b) "Funding level" means the actuarial value of assets divided by the actuarially  
7                   accrued liability expressed as a percentage.

8                   ➔Section 65.   KRS 7A.250 is amended to read as follows:

9    The Public Pension Oversight Board:

10   (1)   Shall, from time to time, conduct an impartial review of all the laws governing the  
11       state-administered retirement systems and recommend any changes it may find  
12       desirable with respect to benefits and administration, funding of benefits,  
13       investments of funds, and the improvement of language, structure, and organization  
14       of the statutes;

15   (2)   Shall, once every five (5) years, review the benefits provided to employees who  
16       begin participating in the systems administered by *the* Kentucky Retirement  
17       Systems **or the County Employees Retirement System** on or after January 1, 2014,  
18       and recommend any changes to the provisions affecting these employees that are  
19       necessary to maintain the actuarial soundness of the systems;

20   (3)   Shall review semiannually the investment programs of the state-administered  
21       retirement systems, including a review of asset allocation targets and ranges, risk  
22       factors, asset class benchmarks, total return objectives, relative volatility,  
23       performance evaluation guidelines, investment policies, and securities litigation  
24       policies and recoveries from fraud or other corporate malfeasance. The board may  
25       establish an advisory committee, as provided by KRS 7A.260, which may include  
26       investment professionals to assist in complying with the provisions of this  
27       subsection;

- 1 (4) May review any benefits, bylaws, policies, or charters established by the state-  
2 administered retirement systems;
- 3 (5) Shall, at the request of the Speaker of the House of Representatives or the President  
4 of the Senate, evaluate proposed changes to laws affecting the state-administered  
5 retirement systems and report to the Speaker or the President on the probable costs,  
6 actuarial implications, and desirability as a matter of public policy;
- 7 (6) May review all new or amended administrative regulations of the state-administered  
8 retirement systems and provide comments to the Administrative Regulation Review  
9 Subcommittee established by KRS 13A.020;
- 10 (7) Shall research issues related to the state-administered retirement systems as directed  
11 by the Legislative Research Commission;
- 12 (8) Shall at least once every five (5) years have an actuarial audit performed for the  
13 state-administered retirement systems to evaluate the reliability of each system's  
14 actuarial assumptions and methods. The actuarial audit shall be performed by an  
15 actuary retained by the Public Pension Oversight Board;
- 16 (9) Shall prior to each budget biennium have an actuarial review of the funding requests  
17 and needs submitted by the state-administered retirement systems. The review shall  
18 be performed by an actuary retained by the Public Pension Oversight Board; and
- 19 (10) Shall publish an annual report covering the board's evaluation and recommendations  
20 with respect to the operations of the state-administered retirement systems. The  
21 report shall be submitted to the Legislative Research Commission no later than  
22 December 31 of each year and shall include at a minimum any legislative  
23 recommendations made by the board, a summary of the financial and actuarial  
24 condition of the state-administered retirement systems, and an analysis of the  
25 adequacy of the current levels of funding.

26 ➔Section 66. KRS 16.505 is amended to read as follows:

27 As used in KRS 16.505 to 16.652, unless the context otherwise requires:

- 1 (1) "System" means the State Police Retirement System created by KRS 16.505 to  
2 16.652;
- 3 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 4 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its  
5 successor;
- 6 (4) "Current service" means the number of years and completed months of employment  
7 as an employee subsequent to July 1, 1958, for which creditable compensation was  
8 paid by the employer and employee contributions deducted except as otherwise  
9 provided;
- 10 (5) "Prior service" means the number of years and completed months of employment as  
11 an employee prior to July 1, 1958, for which creditable compensation was paid to  
12 the employee by the Commonwealth. Twelve (12) months of current service in the  
13 system are required to validate prior service;
- 14 (6) "Service" means the total of current service and prior service;
- 15 (7) "Accumulated contributions" at any time means the sum of all amounts deducted  
16 from the compensation of a member and credited to his individual account in the  
17 member's account, including employee contributions picked up after August 1,  
18 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts  
19 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have  
20 contributed, including interest credited. For members who begin participating on or  
21 after September 1, 2008, "accumulated contributions" shall not include employee  
22 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.  
23 401(h) within the funds established in KRS 16.510 and, 61.515, ~~and 78.520~~, as  
24 prescribed by KRS 61.702(2)(b);
- 25 (8) "Creditable compensation":
- 26 (a) means all salary and wages, including payments for compensatory time, paid  
27 to the employee as a result of services performed for the employer or for time

1 during which the member is on paid leave, which are includable on the  
2 member's federal form W-2 wage and tax statement under the heading "wages,  
3 tips, other compensation," including employee contributions picked up after  
4 August 1, 1982, pursuant to KRS 16.545(4);

5 (b) Includes:

- 6 1. Lump-sum bonuses, severance pay, or employer-provided payments for  
7 purchase of service credit, which shall be averaged over the employee's total  
8 service with the system in which it is recorded if it is equal to or greater than  
9 one thousand dollars (\$1,000);
- 10 2. Lump-sum payments for creditable compensation paid as a result of an order  
11 of a court of competent jurisdiction, the Personnel Board, or the Commission  
12 on Human Rights, or for any creditable compensation paid in anticipation of  
13 settlement of an action before a court of competent jurisdiction, the Personnel  
14 Board, or the Commission on Human Rights, including notices of violations  
15 of state or federal wage and hour statutes or violations of state or federal  
16 discrimination statutes, which shall be credited to the fiscal year during which  
17 the wages were earned or should have been paid by the employer. This  
18 subparagraph shall also include lump-sum payments for reinstated wages  
19 pursuant to KRS 61.569, which shall be credited to the period during which  
20 the wages were earned or should have been paid by the employer;
- 21 3. Amounts which are not includable in the member's gross income by virtue of  
22 the member having taken a voluntary salary reduction provided for under  
23 applicable provisions of the Internal Revenue Code; and
- 24 4. Elective amounts for qualified transportation fringes paid or made available  
25 on or after January 1, 2001, for calendar years on or after January 1, 2001, that  
26 are not includable in the gross income of the employee by reason of 26 U.S.C.  
27 sec. 132(f)(4); and

1 (c) Excludes:

- 2 1. Living allowances, expense reimbursements, lump-sum payments for  
3 accrued vacation leave, and other items determined by the board; and  
4 2. For employees who begin participating on or after September 1, 2008,  
5 lump-sum payments for compensatory time;

6 (9) "Final compensation" means:

7 (a) For a member who begins participating before September 1, 2008, the  
8 creditable compensation of a member during the three (3) fiscal years he was  
9 paid at the highest average monthly rate divided by the number of months of  
10 service credit during the three (3) year period, multiplied by twelve (12); the  
11 three (3) years may be fractional and need not be consecutive. If the number of  
12 months of service credit during the three (3) year period is less than twenty-  
13 four (24), one (1) or more additional fiscal years shall be used; or

14 (b) For a member who begins participating on or after September 1, 2008, but  
15 prior to January 1, 2014, the creditable compensation of the member during  
16 the three (3) complete fiscal years he or she was paid at the highest average  
17 monthly rate divided by three (3). Each fiscal year used to determine final  
18 compensation must contain twelve (12) months of service credit. If the  
19 member does not have three (3) complete fiscal years that each contain twelve  
20 (12) months of service credit, then one (1) or more additional fiscal years,  
21 which may contain less than twelve (12) months of service credit, shall be  
22 added until the number of months in the final compensation calculation is at  
23 least thirty-six (36) months;

24 (10) "Final rate of pay" means the actual rate upon which earnings of a member were  
25 calculated during the twelve (12) month period immediately preceding the  
26 member's effective retirement date, including employee contributions picked up  
27 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the

1 system by the employer and the following equivalents shall be used to convert the  
2 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
3 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-  
4 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)  
5 months, or one (1) year;

6 (11) "Retired member" means any former member receiving a retirement allowance or  
7 any former member who has filed the necessary documents for retirement benefits  
8 and is no longer contributing to the retirement system;

9 (12) "Retirement allowance" means the retirement payments to which a retired member  
10 is entitled;

11 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the  
12 basis of actuarial tables adopted by the board. In cases of disability retirement, the  
13 options authorized by KRS 61.635 shall be computed by adding ten (10) years to  
14 the age of the member, unless the member has chosen the Social Security  
15 adjustment option as provided for in KRS 61.635(8), in which case the member's  
16 actual age shall be used. For members who began participating in the system prior  
17 to January 1, 2014, no disability retirement option shall be less than the same option  
18 computed under early retirement;

19 (14) "Authorized leave of absence" means any time during which a person is absent from  
20 employment but retained in the status of an employee in accordance with the  
21 personnel policy of the Department of Kentucky State Police;

22 (15) "Normal retirement date" means:

23 (a) For a member who begins participating before September 1, 2008, the first  
24 day of the month following a member's fifty-fifth birthday, except that for  
25 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,  
26 1959; or

27 (b) For a member who begins participating on or after September 1, 2008, the

- 1 first day of the month following a member's sixtieth birthday;
- 2 (16) "Disability retirement date" means the first day of the month following the last day  
3 of paid employment;
- 4 (17) "Dependent child" means a child in the womb and a natural or legally adopted child  
5 of the member who has neither attained age eighteen (18) nor married or who is an  
6 unmarried full-time student who has not attained age twenty-two (22);
- 7 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member  
8 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 9 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined  
10 by the board, was required in the performance of the duties specified in KRS  
11 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of  
12 duty" shall mean an act occurring which was required in the performance of the  
13 principal duties of the position as defined by the job description;
- 14 (20) "Early retirement date" means:
- 15 (a) For a member who begins participating before September 1, 2008, the  
16 retirement date declared by a member who is not less than fifty (50) years of  
17 age and has fifteen (15) years of service; or
- 18 (b) For a member who begins participating on or after September 1, 2008, but  
19 prior to January 1, 2014, the retirement date declared by a member who is not  
20 less than fifty (50) years of age and has fifteen (15) years of service credited  
21 under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ or another state-administered  
22 retirement system;
- 23 (21) "Member" means any officer included in the membership of the system as provided  
24 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 25 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS  
26 16.010;
- 27 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which



- 1 results in an employee's total incapacity to continue as an employee in a hazardous  
2 position, but the employee is not necessarily deemed to be totally and permanently  
3 disabled to engage in other occupations for remuneration or profit;
- 4 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
5 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
6 pay. The rate shall be certified by the employer;
- 7 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
8 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
9 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not  
10 mean an estate, trust, or trustee;
- 11 (26) "Recipient" means the retired member, the person or persons designated as  
12 beneficiary by the member and drawing a retirement allowance as a result of the  
13 member's death, or a dependent child drawing a retirement allowance. An alternate  
14 payee of a qualified domestic relations order shall not be considered a recipient,  
15 except for purposes of KRS 61.623;
- 16 (27) "Person" means a natural person;
- 17 (28) "Retirement office" means the Kentucky Retirement Systems office building in  
18 Frankfort;
- 19 (29) "Delayed contribution payment" means an amount paid by an employee for  
20 purchase of current service. The amount shall be determined using the same formula  
21 in KRS 61.5525, and the payment shall not be picked up by the employer. A  
22 delayed contribution payment shall be deposited to the member's account and  
23 considered as accumulated contributions of the individual member;
- 24 (30) "Last day of paid employment" means the last date employer and employee  
25 contributions are required to be reported in accordance with KRS 16.543 ~~or~~  
26 61.543~~, or 78.615~~ to the retirement office in order for the employee to receive  
27 current service credit for the month. Last day of paid employment does not mean a

- 1 date the employee receives payment for accrued leave, whether by lump sum or  
2 otherwise, if that date occurs twenty-four (24) or more months after previous  
3 contributions;
- 4 (31) "Objective medical evidence" means reports of examinations or treatments; medical  
5 signs which are anatomical, physiological, or psychological abnormalities that can  
6 be observed; psychiatric signs which are medically demonstrable phenomena  
7 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
8 or contact with reality; or laboratory findings which are anatomical, physiological,  
9 or psychological phenomena that can be shown by medically acceptable laboratory  
10 diagnostic techniques, including but not limited to chemical tests,  
11 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 12 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
13 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
14 limitation year used to determine contribution and benefit limits established by 26  
15 U.S.C. sec. 415;
- 16 (33) "Participating" means an employee is currently earning service credit in the system  
17 as provided in KRS 16.543;
- 18 (34) "Month" means a calendar month;
- 19 (35) "Membership date" means the date upon which the member began participating in  
20 the system as provided by KRS 16.543;
- 21 (36) "Participant" means a member, as defined by subsection (21) of this section, or a  
22 retired member, as defined by subsection (11) of this section;
- 23 (37) "Qualified domestic relations order" means any judgment, decree, or order,  
24 including approval of a property settlement agreement, that:
- 25 (a) Is issued by a court or administrative agency; and  
26 (b) Relates to the provision of child support, alimony payments, or marital  
27 property rights to an alternate payee;

1 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
2 participant, who is designated to be paid retirement benefits in a qualified domestic  
3 relations order;

4 (39) "Accumulated employer credit" means the employer pay credit deposited to the  
5 member's account and interest credited on such amounts as provided by KRS  
6 16.583; and

7 (40) "Accumulated account balance" means:

8 (a) For members who began participating in the system prior to January 1, 2014,  
9 the member's accumulated contributions; or

10 (b) For members who began participating in the system on or after January 1,  
11 2014, in the hybrid cash balance plan as provided by KRS 16.583, the  
12 combined sum of the member's accumulated contributions and the member's  
13 accumulated employer pay credit.

14 ➔Section 67. KRS 16.555 is amended to read as follows:

15 All the assets of the system shall be held and invested in the State Police Retirement Fund  
16 and credited, according to the purpose for which they are held, to one (1) of three (3)  
17 accounts: the "members' account," the "retirement allowance account," and accounts  
18 established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510  
19 and[,] 61.515[~~, and 78.520~~], as prescribed by KRS 61.702(2)(b).

20 ➔Section 68. KRS 16.576 is amended to read as follows:

21 (1) (a) Any member who begins participating before September 1, 2008, who has at  
22 least five (5) years of service credit may retire at his normal retirement date, or  
23 subsequent thereto, upon written notification to the system, setting forth at  
24 what date the retirement is to become effective, if the effective date shall be  
25 after his last day of service and subsequent to the filing of the notice at the  
26 retirement office.

27 (b) Any member who begins participating on or after September 1, 2008, who has

1 at least five (5) years of service credited under KRS 16.543(1), 61.543(1), ~~or~~  
2 ~~78.615(1)~~ or another state-administered retirement system may retire at his or  
3 her normal retirement date, or subsequent thereto, upon written notification to  
4 the system, setting forth what date the retirement is to become effective, if the  
5 effective date shall be after his or her last day of service and subsequent to the  
6 filing of the notice at the retirement office.

7 (2) The member shall have the right to elect to have his retirement allowance payable  
8 under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth  
9 in KRS 61.635.

10 (3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement  
11 System may elect to receive an annual retirement allowance, payable monthly  
12 during his lifetime, equal to two and five-tenths percent (2.5%) of final  
13 compensation for each year of service credit. ~~Effective August 1, 1988, a~~  
14 ~~member of the County Employees Retirement System covered by this section~~  
15 ~~may elect to receive an annual retirement allowance, payable monthly during~~  
16 ~~his lifetime, equal to two and five-tenths percent (2.5%) of final compensation~~  
17 ~~for each year of service credit.]~~ Effective August 1, 1988, a member of the  
18 Kentucky Employees Retirement System covered by this section may elect to  
19 receive an annual retirement allowance, payable monthly during his lifetime,  
20 equal to two and forty-nine hundredths percent (2.49%) of final compensation  
21 for each year of service credit. The annual retirement allowance for a member  
22 covered by this section shall not exceed the maximum benefit as set forth in  
23 the Internal Revenue Code.

24 (b) A member of the State Police Retirement System or ~~]~~ a member of the  
25 Kentucky Employees Retirement System covered by this section, ~~or a~~  
26 ~~member of the County Employees Retirement System covered by this section,~~  
27 ~~] whose participation begins on or after September 1, 2008, but prior to~~

1 January 1, 2014, shall receive an annual retirement allowance, payable  
2 monthly during his or her lifetime, equal to:

- 3 1. One and three-tenths percent (1.3%) of final compensation for each year  
4 of service credit if the employee has earned ten (10) or less years of  
5 service at retirement;
- 6 2. One and one-half percent (1.5%) of final compensation for each year of  
7 service credit if the employee has earned greater than ten (10) but no  
8 more than twenty (20) years of service at retirement;
- 9 3. Two and one-quarter percent (2.25%) of final compensation for each  
10 year of service credit if the employee has earned greater than twenty (20)  
11 but less than twenty-five (25) years of service at retirement; or
- 12 4. Two and one-half percent (2.5%) of final compensation for each year of  
13 service credit if the employee has earned twenty-five (25) or more years  
14 of service at retirement.

15 (4) The member may elect to receive a monthly retirement allowance payable for ten  
16 (10) years certain, actuarially equivalent to the retirement allowance payable under  
17 subsection (3) of this section. If the member should become deceased prior to the  
18 expiration of ten (10) years, his beneficiary, unless the beneficiary is the member's  
19 estate, shall receive the remaining payments monthly for the duration of the ten (10)  
20 years. If the member's estate is the beneficiary, the member's estate shall receive a  
21 lump-sum payment which shall be the actuarial equivalent to the remaining  
22 payments. The provisions of KRS 61.702 notwithstanding, the member who retired  
23 on June 17, 1978, or thereafter, and his spouse and eligible dependents shall  
24 continue to receive the insurance benefits to which they are entitled pursuant to  
25 KRS 61.702 after the expiration of ten (10) years. Effective with any insurance  
26 contract procured, or self-insurance plan instituted, after July 15, 1990, a member  
27 who retired prior to June 17, 1978, and his spouse and eligible dependents shall

1 receive insurance benefits pursuant to KRS 61.702 upon payment by the member or  
2 beneficiary of the entire cost of the required insurance premium.

3 (5) Notwithstanding any other provisions of this section, upon written notification to  
4 the system, a member shall have the option to defer his election to receive his  
5 retirement allowance. The retirement allowance payable under a deferred option  
6 shall be increased to reflect the deferred receipt of benefits.

7 (6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who  
8 begins participating before September 1, 2008, who has attained age fifty-five (55)  
9 and who has attained at least one (1) month of service credit but no more than fifty-  
10 nine (59) months of service credit may elect to receive an annual retirement  
11 allowance, payable monthly or less frequently as determined by the board, which  
12 shall be determined by multiplying his accumulated contributions by two (2) and  
13 converting this amount to an annual retirement allowance based on an annuity rate  
14 adopted by the board which would pay the actuarial equivalent of twice his  
15 accumulated contributions over the lifetime of the retired member.

16 (7) Subsections (1) to (6) of this section shall not apply to members who begin  
17 participating in the system on or after January 1, 2014. Members who begin  
18 participating in the system on or after January 1, 2014, shall receive the retirement  
19 benefit calculation prescribed by KRS 16.583.

20 ➔Section 69. KRS 16.577 is amended to read as follows:

21 (1) Upon retirement at early retirement date, a member may receive an annual  
22 retirement allowance payable monthly during his lifetime which shall be determined  
23 in the same manner as for retirement at his normal retirement date, with years of  
24 service and final compensation being determined as of the date of his actual  
25 retirement, but the amount of the retirement allowance so determined shall be  
26 reduced at an amount determined by the board's actuary to reflect the earlier  
27 commencement of benefits.

- 1 (2) For a member who begins participating before September 1, 2008, there shall be no  
2 reduction in the retirement allowance if the member has twenty (20) or more years  
3 of service credit, at least fifteen (15) of which are current service.
- 4 (3) For a member who begins participating on or after September 1, 2008, but prior to  
5 January 1, 2014, there shall be no reduction in the retirement allowance if the  
6 member has twenty-five (25) or more years of service credited under KRS  
7 16.543(1) or[,] 61.543(1), ~~or 78.615(1)~~ or another state-administered retirement  
8 system.
- 9 (4) Subsections (1) to (3) of this section shall not apply to members who begin  
10 participating in the system on or after January 1, 2014. Members who begin  
11 participating in the system on or after January 1, 2014, shall receive the retirement  
12 benefit calculation prescribed by KRS 16.583.

13 ➔Section 70. KRS 16.583 is amended to read as follows:

- 14 (1) A member of the State Police Retirement System or[,] a member of the Kentucky  
15 Employees Retirement System in a hazardous duty position covered by this section,  
16 ~~for a member of the County Employees Retirement System in a hazardous duty~~  
17 ~~position covered by this section,~~ whose participation begins on or after January 1,  
18 2014, or a member making an election pursuant to KRS 61.5955, shall receive the  
19 retirement benefits provided by this section in lieu of the retirement benefits  
20 provided under KRS 16.576 and 16.577. The retirement benefit provided by this  
21 section shall be known as the hybrid cash balance plan and shall operate as another  
22 benefit tier within the State Police Retirement System and[,] the Kentucky  
23 Employees Retirement System~~, and the County Employees Retirement System~~.
- 24 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
25 member's accumulated account balance, which shall include:
- 26 (a) Contributions made by the member as provided by KRS 16.505 to 16.652  
27 and[,] 61.510 to 61.705, ~~and 78.510 to 78.852,~~ except for employee

- 1 contributions prescribed by KRS 61.702(2)(b);
- 2 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable  
3 compensation earned by the employee for each month the employee is  
4 contributing to the hybrid cash balance plan provided by this section; and
- 5 (c) Interest credits added annually to the member's accumulated account balance  
6 as provided by this section.
- 7 (3) (a) Member contributions and employer pay credits as provided by subsection  
8 (2)(a) and (b) of this section shall be credited to the member's account  
9 monthly as contributions are reported and posted to the system in accordance  
10 with KRS 61.675~~[-and 78.625]~~.
- 11 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
12 credited to the member's account annually on June 30 of each fiscal year, as  
13 determined by subsection (4) of this section.
- 14 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
15 contributed to the hybrid cash balance plan during the fiscal year.
- 16 (b) If the member contributed to the hybrid cash balance plan during the fiscal  
17 year, the interest credit added to the member's account for that fiscal year shall  
18 be determined by multiplying the member's accumulated account balance on  
19 June 30 of the preceding fiscal year by a percentage increase equal to:
- 20 1. Four percent (4%); plus  
21 2. Seventy-five percent (75%) of the system's geometric average net  
22 investment return in excess of a four percent (4%) rate of return.
- 23 (c) If the member did not contribute to the hybrid cash balance plan during the  
24 fiscal year, the interest credit added to the member's account for that fiscal  
25 year shall be determined by multiplying the member's accumulated account  
26 balance on June 30 of the preceding fiscal year by four percent (4%).
- 27 (d) For purposes of this subsection, "system's geometric average net investment



1 return":

2 1. Means the annual average geometric investment return, net of  
3 administrative and investment fees and expenses, over the last five (5)  
4 fiscal years as of the date the interest is credited to the member's  
5 account; and

6 2. Shall be expressed as a percentage and based upon the system in which  
7 the member has an account.

8 (e) No employer pay credits or interest credits shall be provided to a member who  
9 has taken a refund of contributions as provided by KRS 61.625 or who has  
10 retired and annuitized his or her accumulated account balance as prescribed by  
11 this section.

12 (5) (a) Upon termination of employment, a member who has less than five (5) years  
13 of service credited under KRS 16.543(1) and ~~16.543(1), [and 78.615(1),~~  
14 ~~]who~~ elects to take a refund of his or her accumulated account balance as  
15 provided by KRS 61.625, shall forfeit the accumulated employer credit, and  
16 shall only receive a refund of his or her accumulated contributions.

17 (b) Upon termination of employment, a member who has five (5) or more years of  
18 service credited under KRS 16.543(1) and ~~16.543(1), [and 78.615(1),~~  
19 ~~]who~~ elects to take a refund of his or her accumulated account balance as provided  
20 by KRS 61.625, shall receive a full refund of his or her accumulated account  
21 balance.

22 (6) A member participating in the hybrid cash balance plan provided by this section  
23 may retire:

24 (a) At his or her normal retirement date, provided he or she has earned five (5) or  
25 more years of service credited under KRS 16.543(1), 61.543(1), ~~[or 78.615(1),~~  
26 ~~]for~~ another state-administered retirement system; or

27 (b) At any age, provided he or she has earned twenty-five (25) or more years of

1 service credited under KRS 16.543(1) or, 61.543(1), ~~or 78.615(1)~~ or  
2 another state-administered retirement system.

3 (7) A member eligible to retire under subsection (6) of this section may elect to:

4 (a) Receive a monthly retirement allowance payable for life by having his or her  
5 accumulated account balance annuitized by the retirement systems in  
6 accordance with the actuarial assumptions and actuarial methods adopted by  
7 the board and in effect on the member's retirement date;

8 (b) Receive the actuarial equivalent of his or her retirement allowance calculated  
9 under paragraph (a) of this subsection payable under one (1) of the options set  
10 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

11 (c) Take a refund of his or her account balance as provided by KRS 61.625.

12 (8) The provisions of this section shall not apply to members who began participating  
13 in the Kentucky Employees Retirement System, ~~the County Employees Retirement~~  
14 ~~System,~~ or the State Police Retirement System prior to January 1, 2014, except for  
15 those members making an election pursuant to KRS 61.5955.

16 ➔Section 71. KRS 16.582 is amended to read as follows:

17 (1) (a) Total and permanent disability means a disability which results in the  
18 member's incapacity to engage in any occupation for remuneration or profit.  
19 Loss by severance of both hands at or above the wrists, or both feet at or  
20 above the ankles, or one (1) hand above the wrist and one (1) foot above the  
21 ankle, or the complete, irrevocable loss of the sight of both eyes shall be  
22 considered as total and permanent.

23 (b) Hazardous disability means a disability which results in the member's total  
24 incapacity to continue as a regular full-time officer or as an employee in a  
25 hazardous position, as defined in KRS 61.592, but which does not result in the  
26 member's total and permanent incapacity to engage in other occupations for  
27 remuneration or profit.

- 1 (c) In determining whether the disability meets the requirement of this section,  
2 any reasonable accommodation provided by the employer as provided in 42  
3 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.
- 4 (d) If the board determines that the total and permanent disability of a member  
5 receiving a retirement allowance under this section has ceased, then the board  
6 shall determine if the member has a hazardous disability.
- 7 (2) Any person may qualify to retire on disability, subject to the following:
- 8 (a) The person shall have sixty (60) months of service, twelve (12) of which shall  
9 be current service credited under KRS 16.543(1) ~~or~~ 61.543(1) ~~or~~  
10 ~~78.615(1)~~. The service requirement shall be waived if the disability is a total  
11 and permanent disability or a hazardous disability and is a direct result of an  
12 act in line of duty;
- 13 (b) For a person whose membership date is prior to August 1, 2004, the person  
14 shall not be eligible for an unreduced retirement allowance;
- 15 (c) The person's application shall be on file in the retirement office no later than  
16 twenty-four (24) months after the person's last day of paid employment, as  
17 defined in KRS 16.505, as a regular full-time officer or in a regular full-time  
18 hazardous position under KRS 61.592;
- 19 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;  
20 and
- 21 (e) A person's disability application based on the same claim of incapacity shall  
22 be accepted and reconsidered for disability if accompanied by new objective  
23 medical evidence. The application shall be on file in the retirement office no  
24 later than twenty-four (24) months after the person's last day of paid  
25 employment as a regular full-time officer or in a regular full-time hazardous  
26 position.
- 27 (3) Upon the examination of the objective medical evidence by licensed physicians

1 pursuant to KRS 61.665, it shall be determined that:

2 (a) The incapacity results from bodily injury, mental illness, or disease. For  
3 purposes of this section, "injury" means any physical harm or damage to the  
4 human organism other than disease or mental illness;

5 (b) The incapacity is deemed to be permanent; and

6 (c) The incapacity does not result directly or indirectly from:

7 1. Injury intentionally self-inflicted while sane or insane; or

8 2. Bodily injury, mental illness, disease, or condition which pre-existed  
9 membership in the system or reemployment, whichever is most recent,  
10 unless:

11 a. The disability results from bodily injury, mental illness, disease, or  
12 a condition which has been substantially aggravated by an injury or  
13 accident arising out of or in the course of employment; or

14 b. The person has at least sixteen (16) years' current or prior service  
15 for employment with employers participating in the retirement  
16 systems administered by the Kentucky Retirement Systems.

17 For purposes of this subparagraph, "reemployment" shall not mean a  
18 change of employment between employers participating in the  
19 retirement systems administered by the Kentucky Retirement Systems  
20 with no loss of service credit.

21 (4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result  
22 in death or can be expected to last for a continuous period of not less  
23 than twelve (12) months from the person's last day of paid employment  
24 in a position as regular full-time officer or a hazardous position.

25 2. The determination of a permanent incapacity shall be based on the  
26 medical evidence contained in the member's file and the member's  
27 residual functional capacity and physical exertion requirements.

1           (b) The person's residual functional capacity shall be the person's capacity for  
2           work activity on a regular and continuing basis. The person's physical ability  
3           shall be assessed in light of the severity of the person's physical, mental, and  
4           other impairments. The person's ability to walk, stand, carry, push, pull, reach,  
5           handle, and other physical functions shall be considered with regard to  
6           physical impairments. The person's ability to understand, remember, and carry  
7           out instructions and respond appropriately to supervision, coworkers, and  
8           work pressures in a work setting shall be considered with regard to mental  
9           impairments. Other impairments, including skin impairments, epilepsy, visual  
10          sensory impairments, postural and manipulative limitations, and  
11          environmental restrictions, shall be considered in conjunction with the  
12          person's physical and mental impairments to determine residual functional  
13          capacity.

14          (c) The person's physical exertion requirements shall be determined based on the  
15          following standards:

16           1. Sedentary work shall be work that involves lifting no more than ten (10)  
17           pounds at a time and occasionally lifting or carrying articles such as  
18           large files, ledgers, and small tools. Although a sedentary job primarily  
19           involves sitting, occasional walking and standing may also be required  
20           in the performance of duties.

21           2. Light work shall be work that involves lifting no more than twenty (20)  
22           pounds at a time with frequent lifting or carrying of objects weighing up  
23           to ten (10) pounds. A job shall be in this category if lifting is  
24           infrequently required but walking and standing are frequently required,  
25           or if the job primarily requires sitting with pushing and pulling of arm or  
26           leg controls. If the person has the ability to perform substantially all of  
27           these activities, the person shall be deemed capable of light work. A

1 person deemed capable of light work shall be deemed capable of  
2 sedentary work unless the person has additional limitations such as the  
3 loss of fine dexterity or inability to sit for long periods.

4 3. Medium work shall be work that involves lifting no more than fifty (50)  
5 pounds at a time with frequent lifting or carrying of objects weighing up  
6 to twenty-five (25) pounds. If the person is deemed capable of medium  
7 work, the person shall be deemed capable of light and sedentary work.

8 4. Heavy work shall be work that involves lifting no more than one  
9 hundred (100) pounds at a time with frequent lifting or carrying of  
10 objects weighing up to fifty (50) pounds. If the person is deemed capable  
11 of heavy work, the person shall also be deemed capable of medium,  
12 light, and sedentary work.

13 5. Very heavy work shall be work that involves lifting objects weighing  
14 more than one hundred (100) pounds at a time with frequent lifting or  
15 carrying of objects weighing fifty (50) or more pounds. If the person is  
16 deemed capable of very heavy work, the person shall be deemed capable  
17 of heavy, medium, light, and sedentary work.

18 (5) (a) The disability retirement allowance shall be determined as provided in KRS  
19 16.576, except if the member's total service credit on his last day of paid  
20 employment in a regular full-time position is less than twenty (20) years,  
21 service shall be added beginning with his last date of paid employment and  
22 continuing to his fifty-fifth birthday. The maximum service credit added shall  
23 not exceed the total service the member had on his last day of paid  
24 employment, and the maximum service credit for calculating his retirement  
25 allowance, including his total service and service added under this section,  
26 shall not exceed twenty (20) years.

27 (b) For a member whose participation begins on or after August 1, 2004, but prior

1 to January 1, 2014, the disability retirement allowance shall be the higher of  
2 twenty-five percent (25%) of the member's monthly final rate of pay or the  
3 retirement allowance determined in the same manner as for retirement at his  
4 normal retirement date with years of service and final compensation being  
5 determined as of the date of his disability.

6 (c) For a member who begins participating on or after January 1, 2014, in the  
7 hybrid cash balance plan as provided by KRS 16.583, the disability retirement  
8 allowance shall be the higher of twenty-five percent (25%) of the member's  
9 monthly final rate of pay or the retirement allowance determined in the same  
10 manner as for retirement at his or her normal retirement date under KRS  
11 16.583.

12 (6) If the member receives a satisfactory determination of total and permanent disability  
13 or hazardous disability pursuant to KRS 61.665 and the disability is the direct result  
14 of an act in line of duty, the member's retirement allowance shall be calculated as  
15 follows:

16 (a) For the disabled member, benefits as provided in subsection (5) of this section  
17 except that the monthly retirement allowance payable shall not be less than  
18 twenty-five percent (25%) of the member's monthly final rate of pay; and

19 (b) For each dependent child of the member on his disability retirement date, who  
20 is alive at the time any particular payment is due, a monthly payment equal to  
21 ten percent (10%) of the disabled member's monthly final rate of pay;  
22 however, total maximum dependent children's benefit shall not exceed forty  
23 percent (40%) of the member's monthly final rate of pay. The payments shall  
24 be payable to each dependent child, or to a legally appointed guardian or as  
25 directed by the system.

26 (7) No benefit provided in this section shall be reduced as a result of any change in the  
27 extent of disability of any retired member who is age fifty-five (55) or older.

1 (8) If a regular full-time officer or hazardous position member has been approved for  
2 benefits under a hazardous disability, the board shall, upon request of the member,  
3 permit the member to receive the hazardous disability allowance while accruing  
4 benefits in a nonhazardous position, subject to proper medical review of the  
5 nonhazardous position's job description by the system's medical examiner.

6 (9) For a member of the State Police Retirement System, in lieu of the allowance  
7 provided in subsection (5) or (6) of this section, the member may be retained on the  
8 regular payroll and receive the compensation authorized by KRS 16.165, if he is  
9 qualified.

10 ➔Section 72. KRS 18A.205 is amended to read as follows:

11 (1) The secretary of the Finance and Administration Cabinet, upon the recommendation  
12 of the secretary, may procure from one (1) or more life insurance companies,  
13 authorized to do business in this state, a policy or policies of group life insurance  
14 insuring the lives of all or any class or classes of state employees. The policy or  
15 policies shall be approved by the commissioner of insurance and may contain such  
16 provisions as the commissioner of insurance approves whether or not otherwise  
17 permitted by the insurance laws. It is intended that life insurance may be made  
18 available for state employees, except that the procuring is permissive.

19 (2) The term "state employee," for purposes of KRS 18A.205 to 18A.215, shall mean a  
20 person who is regularly employed by any department, board, agency, or branch of  
21 state government, and who is also:

22 (a) A contributing member of any one (1) of the state-administered retirement  
23 systems; or

24 (b) A retiree of a state-administered retirement system who is employed in a  
25 regular full-time position for purposes of retirement coverage, but who is not  
26 eligible to contribute to one (1) of the systems administered by Kentucky  
27 Retirement Systems pursuant to KRS 61.637(17) **or to the County Employees**



1                    **Retirement System pursuant to subsection (4) of Section 52 of this Act.**

2            Notwithstanding the definition of "state employee" in this subsection, any federally  
3            funded time-limited employee may receive insurance coverage.

4            (3) The term "premiums," for the purposes of KRS 18A.205 to 18A.225, shall mean  
5            premiums to be paid on any type of insurance authorized under KRS 18A.205 to  
6            18A.225.

7            ➔Section 73. KRS 18A.225 is amended to read as follows:

8            (1) (a) The term "employee" for purposes of this section means:

- 9                    1. Any person, including an elected public official, who is regularly  
10                    employed by any department, office, board, agency, or branch of state  
11                    government; or by a public postsecondary educational institution; or by  
12                    any city, urban-county, charter county, county, or consolidated local  
13                    government, whose legislative body has opted to participate in the state-  
14                    sponsored health insurance program pursuant to KRS 79.080; and who  
15                    is either a contributing member to any one (1) of the retirement systems  
16                    administered by the state, including but not limited to the Kentucky  
17                    Retirement Systems, **County Employees Retirement System**, Kentucky  
18                    Teachers' Retirement System, the Legislators' Retirement Plan, or the  
19                    Judicial Retirement Plan; or is receiving a contractual contribution from  
20                    the state toward a retirement plan; or, in the case of a public  
21                    postsecondary education institution, is an individual participating in an  
22                    optional retirement plan authorized by KRS 161.567;
- 23                    2. Any certified or classified employee of a local board of education;
- 24                    3. Any elected member of a local board of education;
- 25                    4. Any person who is a present or future recipient of a retirement  
26                    allowance from the Kentucky Retirement Systems, **County Employees**  
27                    **Retirement System**, Kentucky Teachers' Retirement System, the

- 1           Legislators' Retirement Plan, the Judicial Retirement Plan, or the  
2           Kentucky Community and Technical College System's optional  
3           retirement plan authorized by KRS 161.567, except that a person who is  
4           receiving a retirement allowance and who is age sixty-five (65) or older  
5           shall not be included, with the exception of persons covered under KRS  
6           61.702(4)(c) or subsection (2)(b)3. of Section 50 of this Act, unless he  
7           or she is actively employed pursuant to subparagraph 1. of this  
8           paragraph; and
- 9           5. Any eligible dependents and beneficiaries of participating employees  
10          and retirees who are entitled to participate in the state-sponsored health  
11          insurance program;
- 12          (b) The term "health benefit plan" for the purposes of this section means a health  
13          benefit plan as defined in KRS 304.17A-005;
- 14          (c) The term "insurer" for the purposes of this section means an insurer as defined  
15          in KRS 304.17A-005; and
- 16          (d) The term "managed care plan" for the purposes of this section means a  
17          managed care plan as defined in KRS 304.17A-500.
- 18          (2) (a) The secretary of the Finance and Administration Cabinet, upon the  
19          recommendation of the secretary of the Personnel Cabinet, shall procure, in  
20          compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,  
21          from one (1) or more insurers authorized to do business in this state, a group  
22          health benefit plan that may include but not be limited to health maintenance  
23          organization (HMO), preferred provider organization (PPO), point of service  
24          (POS), and exclusive provider organization (EPO) benefit plans encompassing  
25          all or any class or classes of employees. With the exception of employers  
26          governed by the provisions of KRS Chapters 16, 18A, and 151B, all  
27          employers of any class of employees or former employees shall enter into a

1 contract with the Personnel Cabinet prior to including that group in the state  
2 health insurance group. The contracts shall include but not be limited to  
3 designating the entity responsible for filing any federal forms, adoption of  
4 policies required for proper plan administration, acceptance of the contractual  
5 provisions with health insurance carriers or third-party administrators, and  
6 adoption of the payment and reimbursement methods necessary for efficient  
7 administration of the health insurance program. Health insurance coverage  
8 provided to state employees under this section shall, at a minimum, contain  
9 the same benefits as provided under Kentucky Kare Standard as of January 1,  
10 1994, and shall include a mail-order drug option as provided in subsection  
11 (13) of this section. All employees and other persons for whom the health care  
12 coverage is provided or made available shall annually be given an option to  
13 elect health care coverage through a self-funded plan offered by the  
14 Commonwealth or, if a self-funded plan is not available, from a list of  
15 coverage options determined by the competitive bid process under the  
16 provisions of KRS 45A.080, 45A.085, and 45A.090 and made available  
17 during annual open enrollment.

18 (b) The policy or policies shall be approved by the commissioner of insurance and  
19 may contain the provisions the commissioner of insurance approves, whether  
20 or not otherwise permitted by the insurance laws.

21 (c) Any carrier bidding to offer health care coverage to employees shall agree to  
22 provide coverage to all members of the state group, including active  
23 employees and retirees and their eligible covered dependents and  
24 beneficiaries, within the county or counties specified in its bid. Except as  
25 provided in subsection (20) of this section, any carrier bidding to offer health  
26 care coverage to employees shall also agree to rate all employees as a single  
27 entity, except for those retirees whose former employers insure their active

1 employees outside the state-sponsored health insurance program.

2 (d) Any carrier bidding to offer health care coverage to employees shall agree to  
3 provide enrollment, claims, and utilization data to the Commonwealth in a  
4 format specified by the Personnel Cabinet with the understanding that the data  
5 shall be owned by the Commonwealth; to provide data in an electronic form  
6 and within a time frame specified by the Personnel Cabinet; and to be subject  
7 to penalties for noncompliance with data reporting requirements as specified  
8 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions  
9 to protect the confidentiality of each individual employee; however,  
10 confidentiality assertions shall not relieve a carrier from the requirement of  
11 providing stipulated data to the Commonwealth.

12 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities  
13 for timely analysis of data received from carriers and, to the extent possible,  
14 provide in the request-for-proposal specifics relating to data requirements,  
15 electronic reporting, and penalties for noncompliance. The Commonwealth  
16 shall own the enrollment, claims, and utilization data provided by each carrier  
17 and shall develop methods to protect the confidentiality of the individual. The  
18 Personnel Cabinet shall include in the October annual report submitted  
19 pursuant to the provisions of KRS 18A.226 to the Governor, the General  
20 Assembly, and the Chief Justice of the Supreme Court, an analysis of the  
21 financial stability of the program, which shall include but not be limited to  
22 loss ratios, methods of risk adjustment, measurements of carrier quality of  
23 service, prescription coverage and cost management, and statutorily required  
24 mandates. If state self-insurance was available as a carrier option, the report  
25 also shall provide a detailed financial analysis of the self-insurance fund  
26 including but not limited to loss ratios, reserves, and reinsurance agreements.

27 (f) If any agency participating in the state-sponsored employee health insurance

1 program for its active employees terminates participation and there is a state  
2 appropriation for the employer's contribution for active employees' health  
3 insurance coverage, then neither the agency nor the employees shall receive  
4 the state-funded contribution after termination from the state-sponsored  
5 employee health insurance program.

6 (g) Any funds in flexible spending accounts that remain after all reimbursements  
7 have been processed shall be transferred to the credit of the state-sponsored  
8 health insurance plan's appropriation account.

9 (h) Each entity participating in the state-sponsored health insurance program shall  
10 provide an amount at least equal to the state contribution rate for the employer  
11 portion of the health insurance premium. For any participating entity that used  
12 the state payroll system, the employer contribution amount shall be equal to  
13 but not greater than the state contribution rate.

14 (3) The premiums may be paid by the policyholder:

15 (a) Wholly from funds contributed by the employee, by payroll deduction or  
16 otherwise;

17 (b) Wholly from funds contributed by any department, board, agency, public  
18 postsecondary education institution, or branch of state, city, urban-county,  
19 charter county, county, or consolidated local government; or

20 (c) Partly from each, except that any premium due for health care coverage or  
21 dental coverage, if any, in excess of the premium amount contributed by any  
22 department, board, agency, postsecondary education institution, or branch of  
23 state, city, urban-county, charter county, county, or consolidated local  
24 government for any other health care coverage shall be paid by the employee.

25 (4) If an employee moves his place of residence or employment out of the service area  
26 of an insurer offering a managed health care plan, under which he has elected  
27 coverage, into either the service area of another managed health care plan or into an

1 area of the Commonwealth not within a managed health care plan service area, the  
2 employee shall be given an option, at the time of the move or transfer, to change his  
3 or her coverage to another health benefit plan.

4 (5) No payment of premium by any department, board, agency, public postsecondary  
5 educational institution, or branch of state, city, urban-county, charter county,  
6 county, or consolidated local government shall constitute compensation to an  
7 insured employee for the purposes of any statute fixing or limiting the  
8 compensation of such an employee. Any premium or other expense incurred by any  
9 department, board, agency, public postsecondary educational institution, or branch  
10 of state, city, urban-county, charter county, county, or consolidated local  
11 government shall be considered a proper cost of administration.

12 (6) The policy or policies may contain the provisions with respect to the class or classes  
13 of employees covered, amounts of insurance or coverage for designated classes or  
14 groups of employees, policy options, terms of eligibility, and continuation of  
15 insurance or coverage after retirement.

16 (7) Group rates under this section shall be made available to the disabled child of an  
17 employee regardless of the child's age if the entire premium for the disabled child's  
18 coverage is paid by the state employee. A child shall be considered disabled if he  
19 has been determined to be eligible for federal Social Security disability benefits.

20 (8) The health care contract or contracts for employees shall be entered into for a period  
21 of not less than one (1) year.

22 (9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of  
23 State Health Insurance Subscribers to advise the secretary or his designee regarding  
24 the state-sponsored health insurance program for employees. The secretary shall  
25 appoint, from a list of names submitted by appointing authorities, members  
26 representing school districts from each of the seven (7) Supreme Court districts,  
27 members representing state government from each of the seven (7) Supreme Court

1 districts, two (2) members representing retirees under age sixty-five (65), one (1)  
2 member representing local health departments, two (2) members representing the  
3 Kentucky Teachers' Retirement System, and three (3) members at large. The  
4 secretary shall also appoint two (2) members from a list of five (5) names submitted  
5 by the Kentucky Education Association, two (2) members from a list of five (5)  
6 names submitted by the largest state employee organization of nonschool state  
7 employees, two (2) members from a list of five (5) names submitted by the  
8 Kentucky Association of Counties, two (2) members from a list of five (5) names  
9 submitted by the Kentucky League of Cities, and two (2) members from a list of  
10 names consisting of five (5) names submitted by each state employee organization  
11 that has two thousand (2,000) or more members on state payroll deduction. The  
12 advisory committee shall be appointed in January of each year and shall meet  
13 quarterly.

14 (10) Notwithstanding any other provision of law to the contrary, the policy or policies  
15 provided to employees pursuant to this section shall not provide coverage for  
16 obtaining or performing an abortion, nor shall any state funds be used for the  
17 purpose of obtaining or performing an abortion on behalf of employees or their  
18 dependents.

19 (11) Interruption of an established treatment regime with maintenance drugs shall be  
20 grounds for an insured to appeal a formulary change through the established appeal  
21 procedures approved by the Department of Insurance, if the physician supervising  
22 the treatment certifies that the change is not in the best interests of the patient.

23 (12) Any employee who is eligible for and elects to participate in the state health  
24 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any  
25 one (1) of the state-sponsored retirement systems shall not be eligible to receive the  
26 state health insurance contribution toward health care coverage as a result of any  
27 other employment for which there is a public employer contribution. This does not

1 preclude a retiree and an active employee spouse from using both contributions to  
2 the extent needed for purchase of one (1) state sponsored health insurance policy for  
3 that plan year.

4 (13) (a) The policies of health insurance coverage procured under subsection (2) of  
5 this section shall include a mail-order drug option for maintenance drugs for  
6 state employees. Maintenance drugs may be dispensed by mail order in  
7 accordance with Kentucky law.

8 (b) A health insurer shall not discriminate against any retail pharmacy located  
9 within the geographic coverage area of the health benefit plan and that meets  
10 the terms and conditions for participation established by the insurer, including  
11 price, dispensing fee, and copay requirements of a mail-order option. The  
12 retail pharmacy shall not be required to dispense by mail.

13 (c) The mail-order option shall not permit the dispensing of a controlled  
14 substance classified in Schedule II.

15 (14) The policy or policies provided to state employees or their dependents pursuant to  
16 this section shall provide coverage for obtaining a hearing aid and acquiring hearing  
17 aid-related services for insured individuals under eighteen (18) years of age, subject  
18 to a cap of one thousand four hundred dollars (\$1,400) every thirty-six (36) months  
19 pursuant to KRS 304.17A-132.

20 (15) Any policy provided to state employees or their dependents pursuant to this section  
21 shall provide coverage for the diagnosis and treatment of autism spectrum disorders  
22 consistent with KRS 304.17A-142.

23 (16) Any policy provided to state employees or their dependents pursuant to this section  
24 shall provide coverage for obtaining amino acid-based elemental formula pursuant  
25 to KRS 304.17A-258.

26 (17) If a state employee's residence and place of employment are in the same county, and  
27 if the hospital located within that county does not offer surgical services, intensive



1 care services, obstetrical services, level II neonatal services, diagnostic cardiac  
2 catheterization services, and magnetic resonance imaging services, the employee  
3 may select a plan available in a contiguous county that does provide those services,  
4 and the state contribution for the plan shall be the amount available in the county  
5 where the plan selected is located.

6 (18) If a state employee's residence and place of employment are each located in counties  
7 in which the hospitals do not offer surgical services, intensive care services,  
8 obstetrical services, level II neonatal services, diagnostic cardiac catheterization  
9 services, and magnetic resonance imaging services, the employee may select a plan  
10 available in a county contiguous to the county of residence that does provide those  
11 services, and the state contribution for the plan shall be the amount available in the  
12 county where the plan selected is located.

13 (19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and  
14 in the best interests of the state group to allow any carrier bidding to offer health  
15 care coverage under this section to submit bids that may vary county by county or  
16 by larger geographic areas.

17 (20) Notwithstanding any other provision of this section, the bid for proposals for health  
18 insurance coverage for calendar year 2004 shall include a bid scenario that reflects  
19 the statewide rating structure provided in calendar year 2003 and a bid scenario that  
20 allows for a regional rating structure that allows carriers to submit bids that may  
21 vary by region for a given product offering as described in this subsection:

22 (a) The regional rating bid scenario shall not include a request for bid on a  
23 statewide option;

24 (b) The Personnel Cabinet shall divide the state into geographical regions which  
25 shall be the same as the partnership regions designated by the Department for  
26 Medicaid Services for purposes of the Kentucky Health Care Partnership  
27 Program established pursuant to 907 KAR 1:705;

- 1 (c) The request for proposal shall require a carrier's bid to include every county  
2 within the region or regions for which the bid is submitted and include but not  
3 be restricted to a preferred provider organization (PPO) option;
- 4 (d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the  
5 carrier all of the counties included in its bid within the region. If the Personnel  
6 Cabinet deems the bids submitted in accordance with this subsection to be in  
7 the best interests of state employees in a region, the cabinet may award the  
8 contract for that region to no more than two (2) carriers; and
- 9 (e) Nothing in this subsection shall prohibit the Personnel Cabinet from including  
10 other requirements or criteria in the request for proposal.
- 11 (21) Any fully insured health benefit plan or self-insured plan issued or renewed on or  
12 after July 12, 2006, to public employees pursuant to this section which provides  
13 coverage for services rendered by a physician or osteopath duly licensed under KRS  
14 Chapter 311 that are within the scope of practice of an optometrist duly licensed  
15 under the provisions of KRS Chapter 320 shall provide the same payment of  
16 coverage to optometrists as allowed for those services rendered by physicians or  
17 osteopaths.
- 18 (22) Any fully insured health benefit plan or self-insured plan issued or renewed on or  
19 after July 12, 2006, to public employees pursuant to this section shall comply with  
20 the provisions of KRS 304.17A-270 and 304.17A-525.
- 21 (23) Any full insured health benefit plan or self insured plan issued or renewed on or  
22 after July 12, 2006, to public employees shall comply with KRS 304.17A-600 to  
23 304.17A-633 pertaining to utilization review, KRS 205.593 and 304.17A-700 to  
24 304.17A-730 pertaining to payment of claims, KRS 304.14-135 pertaining to  
25 uniform health insurance claim forms, KRS 304.17A-580 and 304.17A-641  
26 pertaining to emergency medical care, KRS 304.99-123, and any administrative  
27 regulations promulgated thereunder.

1           ➔Section 74. KRS 61.510 is amended to read as follows:

2       As used in KRS 61.510 to 61.705, unless the context otherwise requires:

- 3       (1) "System" means the Kentucky Employees Retirement System created by KRS  
4       61.510 to 61.705;
- 5       (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 6       (3) "Department" means any state department or board or agency participating in the  
7       system in accordance with appropriate executive order, as provided in KRS 61.520.  
8       For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the  
9       General Assembly and any other body, entity, or instrumentality designated by  
10      executive order by the Governor, shall be deemed to be a department,  
11      notwithstanding whether said body, entity, or instrumentality is an integral part of  
12      state government;
- 13      (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 14      (5) "Employee" means the members, officers, and employees of the General Assembly  
15      and every regular full-time, appointed or elective officer or employee of a  
16      participating department, including the Department of Military Affairs. The term  
17      does not include persons engaged as independent contractors, seasonal, emergency,  
18      temporary, interim, and part-time workers. In case of any doubt, the board shall  
19      determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 20      (6) "Employer" means a department or any authority of a department having the power  
21      to appoint or select an employee in the department, including the Senate and the  
22      House of Representatives, or any other entity, the employees of which are eligible  
23      for membership in the system pursuant to KRS 61.525;
- 24      (7) "State" means the Commonwealth of Kentucky;
- 25      (8) "Member" means any employee who is included in the membership of the system or  
26      any former employee whose membership has not been terminated under KRS  
27      61.535;

- 1 (9) "Service" means the total of current service and prior service as defined in this  
2 section;
- 3 (10) "Current service" means the number of years and months of employment as an  
4 employee, on and after July 1, 1956, except that for members, officers, and  
5 employees of the General Assembly this date shall be January 1, 1960, for which  
6 creditable compensation is paid and employee contributions deducted, except as  
7 otherwise provided, and each member, officer, and employee of the General  
8 Assembly shall be credited with a month of current service for each month he  
9 serves in the position;
- 10 (11) "Prior service" means the number of years and completed months, expressed as a  
11 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
12 creditable compensation was paid; except that for members, officers, and employees  
13 of the General Assembly, this date shall be January 1, 1960. An employee shall be  
14 credited with one (1) month of prior service only in those months he received  
15 compensation for at least one hundred (100) hours of work; provided, however, that  
16 each member, officer, and employee of the General Assembly shall be credited with  
17 a month of prior service for each month he served in the position prior to January 1,  
18 1960. Twelve (12) months of current service in the system are required to validate  
19 prior service;
- 20 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
21 from the compensation of a member and credited to his individual account in the  
22 members' account, including employee contributions picked up after August 1,  
23 1982, pursuant to KRS 61.560(4), together with interest credited on such amounts  
24 and any other amounts the member shall have contributed thereto, including interest  
25 credited thereon. For members who begin participating on or after September 1,  
26 2008, "accumulated contributions" shall not include employee contributions that are  
27 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the

1 funds established in KRS 16.510~~[, 61.515,]~~ and 78.520, as prescribed by KRS  
2 61.702(2)(b);

3 (13) "Creditable compensation":

4 (a) Means all salary, wages, tips to the extent the tips are reported for income tax  
5 purposes, and fees, including payments for compensatory time, paid to the  
6 employee as a result of services performed for the employer or for time during  
7 which the member is on paid leave, which are includable on the member's  
8 federal form W-2 wage and tax statement under the heading "wages, tips,  
9 other compensation," including employee contributions picked up after  
10 August 1, 1982, pursuant to KRS 61.560(4). For members of the General  
11 Assembly, it shall mean all amounts which are includable on the member's  
12 federal form W-2 wage and tax statement under the heading "wages, tips,  
13 other compensation," including employee contributions picked up after  
14 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

15 (b) Includes:

- 16 1. Lump-sum bonuses, severance pay, or employer-provided payments for  
17 purchase of service credit, which shall be averaged over the employee's  
18 total service with the system in which it is recorded if it is equal to or  
19 greater than one thousand dollars (\$1,000);
- 20 2. Cases where compensation includes maintenance and other perquisites,  
21 but the board shall fix the value of that part of the compensation not paid  
22 in money;
- 23 3. Lump-sum payments for creditable compensation paid as a result of an  
24 order of a court of competent jurisdiction, the Personnel Board, or the  
25 Commission on Human Rights, or for any creditable compensation paid  
26 in anticipation of settlement of an action before a court of competent  
27 jurisdiction, the Personnel Board, or the Commission on Human Rights,

1 including notices of violations of state or federal wage and hour statutes  
2 or violations of state or federal discrimination statutes, which shall be  
3 credited to the fiscal year during which the wages were earned or should  
4 have been paid by the employer. This subparagraph shall also include  
5 lump-sum payments for reinstated wages pursuant to KRS 61.569,  
6 which shall be credited to the period during which the wages were  
7 earned or should have been paid by the employer;

- 8 4. Amounts which are not includable in the member's gross income by  
9 virtue of the member having taken a voluntary salary reduction provided  
10 for under applicable provisions of the Internal Revenue Code; and  
11 5. Elective amounts for qualified transportation fringes paid or made  
12 available on or after January 1, 2001, for calendar years on or after  
13 January 1, 2001, that are not includable in the gross income of the  
14 employee by reason of 26 U.S.C. sec. 132(f)(4); and

15 (c) Excludes:

- 16 1. Living allowances, expense reimbursements, lump-sum payments for  
17 accrued vacation leave, and other items determined by the board;  
18 2. For employees who begin participating on or after September 1, 2008,  
19 lump-sum payments for compensatory time; and  
20 3. For employees who begin participating on or after August 1, 2016,  
21 nominal fees paid for services as a volunteer;

22 (14) "Final compensation" of a member means:

- 23 (a) For a member who begins participating before September 1, 2008, who is not  
24 employed in a hazardous position, as provided in KRS 61.592, the creditable  
25 compensation of the member during the five (5) fiscal years he was paid at the  
26 highest average monthly rate divided by the number of months of service  
27 credit during that five (5) year period multiplied by twelve (12). The five (5)

1           years may be fractional and need not be consecutive. If the number of months  
2           of service credit during the five (5) year period is less than forty-eight (48),  
3           one (1) or more additional fiscal years shall be used;

4           (b) For a member who is not employed in a hazardous position, as provided in  
5           KRS 61.592, whose effective retirement date is between August 1, 2001, and  
6           January 1, 2009, and whose total service credit is at least twenty-seven (27)  
7           years and whose age and years of service total at least seventy-five (75), final  
8           compensation means the creditable compensation of the member during the  
9           three (3) fiscal years the member was paid at the highest average monthly rate  
10          divided by the number of months of service credit during that three (3) years  
11          period multiplied by twelve (12). The three (3) years may be fractional and  
12          need not be consecutive. If the number of months of service credit during the  
13          three (3) year period is less than twenty-four (24), one (1) or more additional  
14          fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
15          funding for this paragraph shall be provided from existing funds of the  
16          retirement allowance;

17          (c) For a member who begins participating before September 1, 2008, who is  
18          employed in a hazardous position, as provided in KRS 61.592, the creditable  
19          compensation of the member during the three (3) fiscal years he was paid at  
20          the highest average monthly rate divided by the number of months of service  
21          credit during that three (3) year period multiplied by twelve (12). The three (3)  
22          years may be fractional and need not be consecutive. If the number of months  
23          of service credit during the three (3) year period is less than twenty-four (24),  
24          one (1) or more additional fiscal years shall be used;

25          (d) For a member who begins participating on or after September 1, 2008, but  
26          prior to January 1, 2014, who is not employed in a hazardous position, as  
27          provided in KRS 61.592, the creditable compensation of the member during

1 the five (5) complete fiscal years immediately preceding retirement divided by  
2 five (5). Each fiscal year used to determine final compensation must contain  
3 twelve (12) months of service credit. If the member does not have five (5)  
4 complete fiscal years that each contain twelve (12) months of service credit,  
5 then one (1) or more additional fiscal years, which may contain less than  
6 twelve (12) months of service credit, shall be added until the number of  
7 months in the final compensation calculation is at least sixty (60) months; or

8 (e) For a member who begins participating on or after September 1, 2008, but  
9 prior to January 1, 2014, who is employed in a hazardous position, as  
10 provided in KRS 61.592, the creditable compensation of the member during  
11 the three (3) complete fiscal years he was paid at the highest average monthly  
12 rate divided by three (3). Each fiscal year used to determine final  
13 compensation must contain twelve (12) months of service credit. If the  
14 member does not have three (3) complete fiscal years that each contain twelve  
15 (12) months of service credit, then one (1) or more additional fiscal years,  
16 which may contain less than twelve (12) months of service credit, shall be  
17 added until the number of months in the final compensation calculation is at  
18 least thirty-six (36) months;

19 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
20 calculated during the twelve (12) month period immediately preceding the  
21 member's effective retirement date, including employee contributions picked up  
22 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the  
23 system by the employer and the following equivalents shall be used to convert the  
24 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
25 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour  
26 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,  
27 one (1) year;



- 1 (16) "Retirement allowance" means the retirement payments to which a member is  
2 entitled;
- 3 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
4 basis of the actuarial tables that are adopted by the board. In cases of disability  
5 retirement, the options authorized by KRS 61.635 shall be computed by adding ten  
6 (10) years to the age of the member, unless the member has chosen the Social  
7 Security adjustment option as provided for in KRS 61.635(8), in which case the  
8 member's actual age shall be used. For members who began participating in the  
9 system prior to January 1, 2014, no disability retirement option shall be less than the  
10 same option computed under early retirement;
- 11 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless  
12 otherwise provided in KRS 61.510 to 61.705;
- 13 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
14 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
15 limitation year used to determine contribution and benefit limits as established by  
16 26 U.S.C. sec. 415;
- 17 (20) "Officers and employees of the General Assembly" means the occupants of those  
18 positions enumerated in KRS 6.150. The term shall also apply to assistants who  
19 were employed by the General Assembly for at least one (1) regular legislative  
20 session prior to July 13, 2004, who elect to participate in the retirement system, and  
21 who serve for at least six (6) regular legislative sessions. Assistants hired after July  
22 13, 2004, shall be designated as interim employees;
- 23 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean  
24 all positions that average one hundred (100) or more hours per month determined by  
25 using the number of months actually worked within a calendar or fiscal year,  
26 including all positions except:
- 27 (a) Seasonal positions, which although temporary in duration, are positions which

- 1 coincide in duration with a particular season or seasons of the year and which  
2 may recur regularly from year to year, the period of time shall not exceed nine  
3 (9) months;
- 4 (b) Emergency positions which are positions which do not exceed thirty (30)  
5 working days and are nonrenewable;
- 6 (c) Temporary positions which are positions of employment with a participating  
7 department for a period of time not to exceed nine (9) months and are  
8 nonrenewable;
- 9 (d) Part-time positions which are positions which may be permanent in duration,  
10 but which require less than a calendar or fiscal year average of one hundred  
11 (100) hours of work per month, determined by using the number of months  
12 actually worked within a calendar or fiscal year, in the performance of duty;  
13 and
- 14 (e) Interim positions which are positions established for a one-time or recurring  
15 need not to exceed nine (9) months;
- 16 (22) "Delayed contribution payment" means an amount paid by an employee for  
17 purchase of current service. The amount shall be determined using the same formula  
18 in KRS 61.5525, and the payment shall not be picked up by the employer. A  
19 delayed contribution payment shall be deposited to the member's account and  
20 considered as accumulated contributions of the individual member~~[- In determining~~  
21 ~~payments under this subsection, the formula found in this subsection shall prevail~~  
22 ~~over the one found in KRS 212.434];~~
- 23 (23) "Parted employer" means a department, portion of a department, board, or agency,  
24 such as Outwood Hospital and School, which previously participated in the system,  
25 but due to lease or other contractual arrangement is now operated by a publicly held  
26 corporation or other similar organization, and therefore is no longer participating in  
27 the system. The term "parted employer" shall not include a department, board, or

- 1 agency that ceased participation in the system pursuant to KRS 61.522;
- 2 (24) "Retired member" means any former member receiving a retirement allowance or  
3 any former member who has filed the necessary documents for retirement benefits  
4 and is no longer contributing to the retirement system;
- 5 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
6 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
7 pay. The rate shall be certified by the employer;
- 8 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by  
9 the member in accordance with KRS 61.542 or 61.705 to receive any available  
10 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"  
11 does not mean an estate, trust, or trustee;
- 12 (27) "Recipient" means the retired member or the person or persons designated as  
13 beneficiary by the member and drawing a retirement allowance as a result of the  
14 member's death or a dependent child drawing a retirement allowance. An alternate  
15 payee of a qualified domestic relations order shall not be considered a recipient,  
16 except for purposes of KRS 61.623;
- 17 (28) "Level-percentage-of-payroll amortization method" means a method of determining  
18 the annual amortization payment on the unfunded actuarial accrued liability as  
19 expressed as a percentage of payroll over a set period of years. Under this method,  
20 the percentage of payroll shall be projected to remain constant for all years  
21 remaining in the set period and the unfunded actuarially accrued liability shall be  
22 projected to be fully amortized at the conclusion of the set period;
- 23 (29) "Increment" means twelve (12) months of service credit which are purchased. The  
24 twelve (12) months need not be consecutive. The final increment may be less than  
25 twelve (12) months;
- 26 (30) "Person" means a natural person;
- 27 (31) "Retirement office" means the Kentucky Retirement Systems office building in

1 Frankfort;

2 (32) "Last day of paid employment" means the last date employer and employee  
3 contributions are required to be reported in accordance with KRS 16.543 ~~or~~  
4 61.543~~, or 78.615~~ to the retirement office in order for the employee to receive  
5 current service credit for the month. Last day of paid employment does not mean a  
6 date the employee receives payment for accrued leave, whether by lump sum or  
7 otherwise, if that date occurs twenty-four (24) or more months after previous  
8 contributions;

9 (33) "Objective medical evidence" means reports of examinations or treatments; medical  
10 signs which are anatomical, physiological, or psychological abnormalities that can  
11 be observed; psychiatric signs which are medically demonstrable phenomena  
12 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
13 or contact with reality; or laboratory findings which are anatomical, physiological,  
14 or psychological phenomena that can be shown by medically acceptable laboratory  
15 diagnostic techniques, including but not limited to chemical tests,  
16 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

17 (34) "Participating" means an employee is currently earning service credit in the system  
18 as provided in KRS 61.543;

19 (35) "Month" means a calendar month;

20 (36) "Membership date" means:

21 (a) The date upon which the member began participating in the system as  
22 provided in KRS 61.543; or

23 (b) For a member electing to participate in the system pursuant to KRS  
24 196.167(4) who has not previously participated in the system or the Kentucky  
25 Teachers' Retirement System, the date the member began participating in a  
26 defined contribution plan that meets the requirements of 26 U.S.C. sec.  
27 403(b);

- 1 (37) "Participant" means a member, as defined by subsection (8) of this section, or a  
2 retired member, as defined by subsection (24) of this section;
- 3 (38) "Qualified domestic relations order" means any judgment, decree, or order,  
4 including approval of a property settlement agreement, that:
- 5 (a) Is issued by a court or administrative agency; and
  - 6 (b) Relates to the provision of child support, alimony payments, or marital  
7 property rights to an alternate payee;
- 8 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
9 participant, who is designated to be paid retirement benefits in a qualified domestic  
10 relations order;
- 11 (40) "Accumulated employer credit" mean the employer pay credit deposited to the  
12 member's account and interest credited on such amounts as provided by KRS  
13 16.583 and 61.597;
- 14 (41) "Accumulated account balance" means:
- 15 (a) For members who began participating in the system prior to January 1, 2014,  
16 the member's accumulated contributions; or
  - 17 (b) For members who began participating in the system on or after January 1,  
18 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
19 the combined sum of the member's accumulated contributions and the  
20 member's accumulated employer credit;
- 21 (42) "Volunteer" means an individual who:
- 22 (a) Freely and without pressure or coercion performs hours of service for an  
23 employer participating in one (1) of the systems administered by Kentucky  
24 Retirement Systems without receipt of compensation for services rendered,  
25 except for reimbursement of actual expenses, payment of a nominal fee to  
26 offset the costs of performing the voluntary services, or both; and
  - 27 (b) If a retired member, does not become an employee, leased employee, or

1 independent contractor of the employer for which he or she is performing  
 2 volunteer services for a period of at least twenty-four (24) months following  
 3 the retired member's most recent retirement date; and

4 (43) "Nominal fee" means compensation earned for services as a volunteer that does not  
 5 exceed five hundred dollars (\$500) per month. Compensation earned for services as  
 6 a volunteer from more than one (1) participating employer during a month shall be  
 7 aggregated to determine whether the compensation exceeds the five hundred dollars  
 8 (\$500) per month maximum provided by this subsection.

9 ➔Section 75. KRS 61.522 is amended to read as follows:

10 Notwithstanding any other provision of KRS 61.510 to 61.705 ~~or 78.510 to 78.852~~ to  
 11 the contrary:

12 (1) For purposes of this section:

13 (a) "Active member" means a member who is participating in the system;

14 (b) "Employer" means the governing body of a department, as defined by KRS  
 15 61.510~~, or a county as defined by KRS 78.510~~;

16 (c) "Employer's effective cessation date" means the last day of the system's plan  
 17 year in the year in which the employer has elected to cease participation in the  
 18 system, provided the employer has met the requirements of this section and  
 19 has given the Kentucky Retirement Systems sufficient notice as provided by  
 20 administrative regulations promulgated by the systems; and

21 (d) "Inactive member" means a member who is not participating with the system;

22 (2) Any employer participating in the Kentucky Employees Retirement System ~~or the~~  
 23 ~~County Employees Retirement System~~ on July 1, 2015, except as limited by  
 24 subsection (6) of this section, may:

25 (a) Voluntarily cease participation in its respective retirement system subject to  
 26 the requirements and restrictions of this section; or

27 (b) Be required to involuntarily cease participation in the system under the

1 provisions of this section if the board has determined the employer is no  
2 longer qualified to participate in a governmental plan or has failed to comply  
3 with the provisions of KRS 61.510 to 61.705~~[or 78.510 to 78.852]~~;

4 (3) (a) If an employer desires to voluntarily cease participation in the Kentucky  
5 Employees Retirement System~~[or the County Employees Retirement System]~~  
6 as provided by subsection (2)(a) of this section:

- 7 1. The employer shall adopt a resolution requesting to cease participation  
8 in the system and shall submit the resolution to the board for its  
9 approval;
- 10 2. The cessation of participation in the system shall apply to all employees  
11 of the employer;
- 12 3. The employer shall pay for all administrative costs of an actuarial study  
13 to be completed by the Kentucky Retirement Systems' consulting actuary  
14 and for any other administrative costs for discontinuing participation in  
15 the system as determined by the board and as provided by this section;
- 16 4. The employer shall provide an alternative retirement program for  
17 employees who will no longer be covered by the system, which may  
18 include a voluntary defined contribution plan;
- 19 5. If the alternative retirement program established by the employer meets  
20 the qualification requirements under 26 U.S.C. sec. 401(a) and is  
21 capable of accepting trustee-to-trustee transfers of both pre-tax and post-  
22 tax contributions, employees of the employer ceasing participation may  
23 seek to transfer his or her account balance to the employer's qualified  
24 alternate retirement program within sixty (60) days of the employer's  
25 effective cessation date. An employee's election to transfer his or her  
26 account balance within sixty (60) days of the employer's effective  
27 cessation date is an irrevocable waiver of the right to obtain service

- 1 credits in the system for the time worked for the employer ceasing  
2 participation; and
- 3 6. The employer shall pay by lump sum to the system the full actuarial cost  
4 of the benefits accrued by its current and former employees in the  
5 system as determined separately for the pension fund and the insurance  
6 fund by the actuarial study required by subparagraph 3. of this  
7 paragraph. The full actuarial cost shall not include any employee who  
8 seeks a transfer of his or her account balance within sixty (60) days of  
9 the employer's effective cessation date as provided by subparagraph 5. of  
10 this paragraph. The actuarial cost shall be fixed, and the employer shall  
11 not be subject to any increases or subsequent adjustments, once the lump  
12 sum is paid.
- 13 (b) If the board determines an employer must involuntarily cease participation in  
14 the system as provided by subsection (2)(b) of this section:
- 15 1. The cessation of participation in the system shall apply to all employees  
16 of the employer;
- 17 2. The employer shall pay for all administrative costs of an actuarial study  
18 to be completed by the Kentucky Retirement Systems' consulting actuary  
19 and for any other administrative costs for discontinuing participation in  
20 the system as determined by the board and as provided by this section;  
21 and
- 22 3. The employer shall pay by lump sum to the system the full actuarial cost  
23 of the benefits accrued by its current and former employees in the  
24 system as determined separately for the pension fund and the insurance  
25 fund by the actuarial study required by subparagraph 2. of this  
26 paragraph. The actuarial cost shall be fixed, and the employer shall not  
27 be subject to any increases or subsequent adjustments, once the lump



1                   sum is paid;

2       (4) Any employee hired on or after the employer's effective cessation date by an  
3       employer who has ceased participation in the system as provided by this section  
4       shall not, regardless of his or her membership date in the systems administered by  
5       Kentucky Retirement Systems, be eligible to participate in the Kentucky Employees  
6       Retirement System~~[or the County Employees Retirement System]~~ through the  
7       employer that ceased participation for the duration of his or her employment with  
8       that employer;

9       (5) If an employer has ceased participation in the system as provided by this section:  
10      (a) The rights of recipients and the vested rights of inactive members accrued as  
11      of the employer's effective cessation date shall not be impaired or reduced in  
12      any manner as a result of the employer ceasing participation in the system; and  
13      (b) Employees of the employer ceasing participation shall accrue benefits through  
14      the employer's effective cessation date but shall not accrue any additional  
15      benefits in the Kentucky Employees Retirement System~~[or the County~~  
16      ~~Employees Retirement System]~~, including earning years of service credit  
17      through the ceased employer, after the employer's effective cessation date for  
18      as long as they remain employed by the employer. The day after the  
19      employer's effective cessation date, each employee described by this  
20      paragraph shall be considered an inactive member with respect to his or her  
21      employment with the employer that ceased participation and, subject to the  
22      provisions and limitations of KRS 61.510 to 61.705~~[and 78.510 to 78.852]~~,  
23      shall:

24           1. Retain his or her accounts with the Kentucky Employees Retirement  
25           System~~[or the County Employees Retirement System]~~ and have those  
26           accounts credited with interest in accordance with KRS 61.510 to  
27           61.705~~[and 78.510 to 78.852]~~;

- 1           2.    Retain his or her vested rights in accordance with paragraph (a) of this  
2                    subsection; and
- 3           3.    Be eligible to take a refund of his or her accumulated account balance in  
4                    accordance with KRS 61.625 or any other available distribution if  
5                    eligible;
- 6 (6) ~~[(a)]~~ Kentucky Employees Retirement System employers who are county attorney  
7           offices, Commonwealth's attorney offices, local and district health departments  
8           governed by KRS Chapter 212, master commissioners, executive branch agencies  
9           whose employees are subject to KRS 18A.005 to 18A.200, state-administered  
10          retirement systems, state-supported universities and community colleges, property  
11          valuation administration offices, or employers in the legislative or judicial branch of  
12          Kentucky state government, shall not be eligible to voluntarily discontinue  
13          participation in the Kentucky Employees Retirement System unless the employer is  
14          a nonstock nonprofit corporation organized under KRS Chapter 273[-
- 15          ~~(b) Only the employers in the County Employees Retirement System who are a~~  
16                 ~~nonstock nonprofit corporation organized under KRS Chapter 273 may~~  
17                 ~~voluntarily cease participation in the County Employees Retirement System];~~
- 18 (7) For purposes of this section, the full actuarial cost shall be determined by the  
19          Kentucky Retirement Systems' consulting actuary separately for the pension fund  
20          and the insurance fund using the assumptions and methodology established by the  
21          system specifically for determining the full actuarial cost of ceasing participation as  
22          of the employer's effective cessation date. For purposes of determining the full  
23          actuarial cost, the assumed rate of return used to calculate the cost shall be the lesser  
24          of the assumed rate of return utilized in the system's most recent actuarial valuation  
25          or the yield on a thirty (30) year United States treasury bond as of the employer's  
26          effective cessation date, but shall in no case be lower than the assumed rate of  
27          return utilized in the system's most recent actuarial valuation minus three and one-

1 half percent (3.5%);

2 (8) The Kentucky Retirement Systems shall promulgate administrative regulations  
3 pursuant to KRS Chapter 13A to administer this section; and

4 (9) Any employer who voluntarily ceases participation, or who is required to  
5 involuntarily cease participation as provided in this section, shall hold the  
6 Commonwealth harmless from damages, attorney's fees and costs from legal claims  
7 for any cause of action brought by any member or retired member of the departing  
8 employer.

9 ➔Section 76. KRS 61.535 is amended to read as follows:

10 (1) The membership of any person in the system shall cease:

11 (a) Upon withdrawal of his accumulated account balance at or any time after  
12 termination of employment, regardless of length of service;

13 (b) Upon disability retirement;

14 (c) Upon service retirement;

15 (d) Upon death;

16 (e) For persons hired prior to August 1, 2000, upon termination of employment  
17 with prejudice; or

18 (f) For persons hired on or after August 1, 2000, upon conviction of a felony  
19 relating to the person's employment as provided in subsection (3) of this  
20 section.

21 (2) For purposes of KRS 61.510 to 61.705 and, 16.505 to 16.652, ~~and 78.510 to~~  
22 ~~78.852,~~ termination of employment with prejudice shall mean termination as the  
23 result of conviction of the member in a court of competent jurisdiction of  
24 embezzlement or larceny of public funds or property or malfeasance in office, or the  
25 forcing of a member to make restitution for any funds or property criminally taken  
26 by said member at the time of termination of employment.

27 (3) Notwithstanding any provision of law to the contrary, an employee hired on or after

1 August 1, 2000, who participates in one (1) of the retirement systems administered  
2 by the Kentucky Retirement Systems and who is convicted, in any state or federal  
3 court of competent jurisdiction, of a felony related to his employment shall forfeit  
4 rights and benefits earned under the retirement system, except for the return of his  
5 accumulated contributions and interest credited on those contributions. The  
6 payment of retirement benefits ordered forfeited shall be stayed pending any appeal  
7 of the conviction. If the conviction is reversed on final judgment, no retirement  
8 benefit shall be forfeited. The employer shall notify the retirement system when an  
9 employee is convicted under the provisions of this subsection.

10 ➔Section 77. KRS 61.540 is amended to read as follows:

- 11 (1) Under administrative regulations promulgated by the board, each member and each  
12 employer shall have on file at the retirement office, in the form the board prescribes,  
13 a statement of the facts pertaining to the member and other information the system  
14 requires. Until the statement is filed, no member shall be eligible to receive any  
15 benefits under KRS 61.510 to 61.705 ~~and 78.510 to 78.852~~.
- 16 (2) The system shall prepare and make available upon request to all members a  
17 summary plan description, written in a manner that can be understood by the  
18 average member or beneficiary, and sufficiently accurate and comprehensive to  
19 reasonably apprise them of their rights and obligations under the provisions of KRS  
20 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705 ~~and 78.510 to 78.852~~.
- 21 (3) The summary plan description shall include:
- 22 (a) The name of the retirement system, the name and address of the executive  
23 director, and the name, address and title of each member of the board of  
24 trustees;
- 25 (b) The name and address of the person designated for the service of legal  
26 process;
- 27 (c) The system's requirements for participation and benefits;

- 1 (d) A description of retirement formulas for normal, early and disability  
2 retirement, and survivor benefits;
- 3 (e) A description of the requirements for vesting of pension benefits;
- 4 (f) A reasonable list of circumstances which would result in disqualification,  
5 ineligibility, or denial or loss of benefits;
- 6 (g) The sources of financing retirement benefits, and statutory requirements for  
7 funding;
- 8 (h) A statement after each actuarial valuation as to whether funding requirements  
9 are being met; and
- 10 (i) The procedures to be followed in presenting claims for benefits under the  
11 plan, and the remedies available under the plan for the redress of claims which  
12 are denied in whole or in part.

13 (4) The system may publish the summary plan description in the form of a  
14 comprehensive pamphlet or booklet, or in the form of periodic newsletters which  
15 shall incorporate all the information required in the summary plan description  
16 within a period of two (2) years. Any changes in statutory requirements or  
17 administrative practices which alter the provisions of the plan as described in the  
18 summary plan description shall be summarized as required in subsection (2) of this  
19 section and shall be made available upon request to members in the form of a  
20 supplement to a comprehensive booklet, or reported in the periodic newsletter.

21 (5) The system shall make available upon request to retirees and beneficiaries the  
22 summary plan description.

23 ➔Section 78. KRS 61.545 is amended to read as follows:

24 (1) The board shall determine by appropriate administrative regulations how much  
25 service in any year is the equivalent of a year of service credit and how much  
26 service in any calendar month is the equivalent of a month of service credit. It shall  
27 not allow credit for more than one (1) year of service for all service rendered in any

1 period of twelve (12) consecutive months except as provided in KRS 61.546 and in  
2 subsection (2) of this section.

3 (2) (a) Employees participating in one (1) of the state-administered retirement  
4 systems who are or have been employed by a ~~[school board participating in~~  
5 ~~the County Employees Retirement System, a ]~~state-operated school under  
6 KRS Chapter 167~~[, a participating community action agency,]~~ or a Kentucky  
7 institution of higher education which participates in the Kentucky Employees  
8 Retirement System, and who receive service credit for less than twelve (12)  
9 months each year, may purchase the additional months of service credit  
10 needed to total one (1) year of service credit except the amount purchased  
11 shall not exceed three (3) months. The employee may purchase the service  
12 credit by paying the retirement system a delayed contribution payment in  
13 accordance with the payment options and restrictions established by KRS  
14 61.552(13)(~~(14)~~). Employees who have service credit prior to July 1, 1992, or  
15 their employers, the state-operated school under KRS Chapter 167, or the  
16 Kentucky institution of higher education~~[, or the school board]~~ may purchase  
17 service credit on behalf of the employee for previous years by paying the  
18 retirement system the delayed contribution payment in accordance with the  
19 payment options and restrictions established by KRS 61.552(13)(~~(14)~~).

20 (b) The cost of service under this subsection may be paid by both the employer  
21 and employee. The employer shall pay fifty percent (50%) of the cost and the  
22 employee shall pay fifty percent (50%) of the cost. The payment by the  
23 employer shall not be deposited to the member's account. Service credit shall  
24 not be credited to the member's account until both the employer's and  
25 employee's payment are received by the retirement system.

26 (c) If the employee has purchased service credit under this subsection based on  
27 months reported by the employer for the fiscal year, and an audit of the

1 employee's account reduces the number of months of service credit for which  
 2 the employee is eligible to no fewer than nine (9) months, the employee shall  
 3 retain credit for the months purchased unless the employee is ineligible for  
 4 any service in the fiscal year. The employee shall be eligible to purchase the  
 5 additional months under this subsection to total one (1) year.

6 (d) This subsection shall not apply to members who begin participating in the  
 7 systems administered by Kentucky Retirement Systems on or after January 1,  
 8 2014.

9 (3) (a) If an employee participates in more than one (1) of the retirement systems  
 10 administered by the Kentucky Retirement Systems, the employee's service  
 11 credit shall be divided between each system determined by dividing the  
 12 employee's creditable compensation in each system by the employee's total  
 13 creditable compensation in all systems.

14 (b) If an employee earns creditable compensation in both a hazardous position, as  
 15 defined by KRS 61.592, and a nonhazardous position, the employee's service  
 16 credit shall be divided between the employee's hazardous and nonhazardous  
 17 positions determined by dividing the employee's creditable compensation in  
 18 the hazardous and nonhazardous positions by the employee's combined  
 19 hazardous and nonhazardous creditable compensation.

20 ➔Section 79. KRS 61.550 is amended to read as follows:

21 When membership ceases, except in the case of retirement, the member shall thereafter  
 22 lose all right to any retirement allowance or benefits under KRS 61.510 to 61.705 and[,]  
 23 16.505 to 16.652 [~~and 78.510 to 78.852~~] arising from service prior to the date of such  
 24 cessation of membership.

25 ➔Section 80. KRS 61.552 is amended to read as follows:

26 (1) (a) Any employee participating in one (1) of the state-administered retirement  
 27 systems who has been refunded his accumulated account balance under the

1 provisions of KRS 16.645(21)~~[,]~~ or 61.625~~[, or 78.545(15)]~~, thereby losing service  
2 credit, may regain the credit by paying to the system from which he received the  
3 refund or refunds the amount or amounts refunded with interest at a rate determined  
4 by the board of the respective retirement system.

5 (b) Service purchased under this subsection shall not be used in determining a  
6 retirement allowance until the member has accrued at least six (6) months of  
7 service credit in a state-administered retirement system, excluding the service  
8 purchased under this subsection. If the member does not accrue at least six (6)  
9 months of service credit in a state-administered retirement system, excluding  
10 service purchased under this subsection, then the payment plus interest as  
11 provided in KRS 61.575 shall be refunded upon retirement, death, or written  
12 request following termination of employment. The service requirement shall  
13 be waived if the member dies or becomes disabled as provided for by KRS  
14 16.582, 61.600, or 61.621.

15 (c) Service purchased under this subsection on or after January 1, 2014, shall not  
16 be used to determine the member's participation date in the system.

17 ~~(2) Any employee participating in one (1) of the retirement systems administered by~~  
18 ~~Kentucky Retirement Systems, who has at least forty-eight (48) months of service if~~  
19 ~~age sixty-five (65) or at least sixty (60) months of service if under age sixty-five~~  
20 ~~(65) in the systems administered by the Kentucky Retirement Systems, and who did~~  
21 ~~not elect membership in the County Employees Retirement System, as provided in~~  
22 ~~KRS 78.540(2), may purchase service credit in the County Employees Retirement~~  
23 ~~System for the service he would have received had he elected membership.~~

24 ~~(3)~~ Any employee participating in one (1) of the retirement systems administered by  
25 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
26 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
27 (65) in the systems administered by the Kentucky Retirement Systems, and who did



1 not elect membership in the Kentucky Employees Retirement System, as provided  
2 in KRS 61.525(2), may purchase service credit in the Kentucky Employees  
3 Retirement System for the service he would have received had he elected  
4 membership.

5 (3)~~[(4)]~~ An employee participating in one (1) of the retirement systems administered  
6 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
7 service if age sixty-five (65) or at least sixty (60) months of service if under age  
8 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,  
9 may purchase service credit in the Kentucky Employees Retirement System for  
10 service between July 1, 1956, and the effective date of participation of his  
11 department.

12 (4) ~~[(5) (a) An employee participating in one (1) of the retirement systems  
13 administered by Kentucky Retirement Systems, who has at least forty eight (48)  
14 months of service if age sixty five (65) or at least sixty (60) months of service if  
15 under age sixty five (65) in the systems administered by the Kentucky Retirement  
16 Systems, may purchase service credit in the County Employees Retirement System  
17 for service between July 1, 1958, and the effective date of participation of his  
18 county.~~

19 ~~(b)~~ An employee participating in one (1) of the retirement systems administered by  
20 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
21 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
22 (65) in the systems administered by Kentucky Retirement Systems may purchase  
23 service credit for the period of his service with an area development district created  
24 pursuant to KRS 147A.050 or with a business development corporation created  
25 pursuant to KRS 155.001 to 155.230 if that service was not covered by a state-  
26 administered retirement system. The employee may obtain credit for employment  
27 with a business development corporation only if the Kentucky Retirement Systems

1 receives a favorable private letter ruling from the United States Internal Revenue  
2 Service or a favorable opinion letter from the United States Department of Labor.

3 ~~(5)~~~~(6)~~ The member shall not receive service credit for the same period of time in  
4 which the member has service credit in one (1) of the systems administered by  
5 Kentucky Retirement Systems or another public defined benefit retirement fund.

6 ~~(6)~~~~(7)~~ Any employee participating in one (1) of the retirement systems administered  
7 by Kentucky Retirement Systems who has at least forty-eight (48) months' service if  
8 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)  
9 in the retirement systems administered by the Kentucky Retirement Systems, who  
10 formerly worked for a state university in a nonteaching position which would have  
11 qualified as a regular full-time position had the university been a participating  
12 department, and who did not participate in a defined benefit retirement program at  
13 the university, may purchase service credit in any of the systems administered by  
14 Kentucky Retirement Systems in which the employee is a member for the service he  
15 would have received had his period of university employment been covered by the  
16 County Employees Retirement System, Kentucky Employees Retirement System, or  
17 State Police Retirement System.

18 ~~(7)~~~~(8)~~ (a) ~~Effective August 1, 1980, any county participating in the County~~  
19 ~~Employees Retirement System may purchase current service, between July 1,~~  
20 ~~1958, and participation date of the county, for present employees of the county~~  
21 ~~who have obtained coverage under KRS 78.540(2).~~

22 ~~(b)~~ Effective July 1, 1973, any department participating in the Kentucky  
23 Employees Retirement System may purchase current service between July 1,  
24 1956, and participation date of the department, for present employees of the  
25 department who were employees on the participation date of the department  
26 and elected coverage under KRS 61.525(2).

27 ~~(b)~~~~(e)~~ Cost of the service credit purchased under this subsection shall be

1 determined by computing the discounted value of the additional service credit  
2 based on an actuarial formula recommended by the board's consulting actuary  
3 and approved by the board. A department shall make payment for the service  
4 credit within the same fiscal year in which the option is elected~~[- The county~~  
5 ~~shall establish a payment schedule subject to approval by the board for~~  
6 ~~payment of the service credit. The maximum period allowed in a payment~~  
7 ~~schedule shall be ten (10) years with interest at the rate actuarially assumed by~~  
8 ~~the board; however, a shorter period is desirable and the board may approve~~  
9 ~~any schedule provided it is not longer than a ten (10) year period].~~

10 ~~(c)~~(d) If a ~~county or~~ department elects the provisions of this subsection, any  
11 present employee who would be eligible to receive service credit under the  
12 provisions of this subsection and has purchased service credit under  
13 subsection ~~(3)~~(4) ~~or (5)~~ of this section shall have his payment for the service  
14 credit refunded with interest at the rate paid under KRS 61.575~~[- or 78.640].~~

15 ~~(d)~~(e) Any payments made by a ~~county or~~ department under this subsection  
16 shall be deposited to the retirement allowance account of the proper retirement  
17 system and these funds shall not be considered accumulated contributions of  
18 the individual members.

19 ~~(8)~~(9) Interest paid by a member of the Kentucky Employees Retirement System~~[-~~  
20 ~~County Employees Retirement System,]~~ or State Police Retirement System under  
21 this section or other similar statutes under KRS 16.505 to 16.652 ~~or~~or 61.510 to  
22 61.705~~[- or 78.510 to 78.852]~~ prior to June 19, 1976, shall be credited to the  
23 individual member's account in the appropriate retirement system and considered as  
24 accumulated contributions of the member.

25 ~~(9)~~(10) Employees who served as assistants to officers and employees of the General  
26 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)  
27 or at least sixty (60) months of service if under age sixty-five (65) in the systems

1 administered by Kentucky Retirement Systems and who were unable to acquire  
2 service under KRS 61.510(20) may purchase credit for the service performed after  
3 January 1, 1960.

4 (10)~~[(11) —(a)]~~ Effective August 1, 1988, any employee participating in one (1) of the  
5 retirement systems administered by Kentucky Retirement Systems who has at least  
6 forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months  
7 of service if under age sixty-five (65) in the systems administered by Kentucky  
8 Retirement Systems may purchase service credit for interim, seasonal, emergency,  
9 temporary, probationary, or part-time employment averaging one hundred (100) or  
10 more hours of work per month on a calendar or fiscal year basis. If the average  
11 number of hours of work is less than one hundred (100) per month, the member  
12 shall be allowed credit only for those months he receives creditable compensation  
13 for one hundred (100) or more hours of work.

14 ~~[(b) —Any noncertified employee of a school board who has at least forty eight (48)~~  
15 ~~months of service if age sixty five (65) or at least sixty (60) months of service~~  
16 ~~if under age sixty five (65) in the systems administered by Kentucky~~  
17 ~~Retirement Systems may purchase service credit in the County Employees~~  
18 ~~Retirement System for part-time employment prior to the 1990-91 school year~~  
19 ~~which averaged eighty (80) or more hours of work per month on a calendar or~~  
20 ~~fiscal year basis. If the average number of hours of work is less than eighty~~  
21 ~~(80) per month, the noncertified employee of a school board shall be allowed~~  
22 ~~to purchase service credit only for those months he received creditable~~  
23 ~~compensation for eighty (80) or more hours of work.]~~

24 (11)~~[(12)]~~ Any employee participating in one (1) of the systems administered by  
25 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
26 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
27 (65) in the systems administered by Kentucky Retirement Systems may purchase

1 service credit for any period of approved educational leave~~, or for agency approved~~  
 2 ~~leave to work for a work related labor organization if the agency subsequently~~  
 3 ~~participated in the County Employees Retirement System. The employee may also~~  
 4 ~~purchase service credit for agency approved leave to work for a work related labor~~  
 5 ~~organization if the agency subsequently participated in the County Employees~~  
 6 ~~Retirement System, but only if the Kentucky Retirement Systems receives a~~  
 7 ~~favorable private letter ruling from the United States Internal Revenue Service or a~~  
 8 ~~favorable opinion letter from the United States Department of Labor].~~

9 ~~(12)~~~~(13)~~ Any employee participating in one (1) of the retirement systems administered  
 10 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
 11 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
 12 (65) in the systems administered by Kentucky Retirement Systems may purchase  
 13 service credit for any period of authorized maternity leave, unpaid leave authorized  
 14 under the Federal Family and Medical Leave Act, or for any period of authorized  
 15 sick leave without pay.

16 ~~(13)~~~~(14)~~ (a) Any employee participating in one (1) of the retirement systems  
 17 administered by Kentucky Retirement Systems may purchase service credit  
 18 under any of the provisions of KRS 16.505 to 16.652 ~~or~~ ~~61.510 to 61.705,~~  
 19 ~~for 78.510 to 78.852,~~ or as otherwise required by 38 U.S.C. ch. 43, by:

- 20 1. Making a lump-sum payment on a before-tax basis as provided in  
 21 subparagraph 3. of this paragraph, or on an after-tax basis if the  
 22 employee is purchasing service credit under subsection (1) or (20) of this  
 23 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise  
 24 provided for in this section, or grandfathered service as defined in  
 25 paragraph (b) of this subsection;
- 26 2. Entering into an agreement to purchase service credit through an  
 27 installment purchase of service agreement with the systems as provided

1 by paragraph (c) of this subsection:

2 a. On a before-tax basis in which the service is purchased pursuant to  
3 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or

4 b. On an after-tax basis if the employee is purchasing service credit  
5 under subsection (1) or (20) of this section, service available  
6 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this  
7 section, or grandfathered service as defined in paragraph (b) of this  
8 subsection; or

9 3. Transferring funds to the systems through a direct trustee-to-trustee  
10 transfer as permitted under the applicable sections of the Internal  
11 Revenue Code and any regulations or rulings issued thereunder, through  
12 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.  
13 401(a)(31) and any regulations or rulings issued thereunder, or through a  
14 rollover of funds pursuant to and permitted under the rules specified in  
15 26 U.S.C. secs. 402(c) and 408(d)(3). The Kentucky Retirement Systems  
16 shall accept the transfer or rollover to the extent permitted under the  
17 rules specified in the applicable provisions of the Internal Revenue Code  
18 and any regulations and rulings issued thereunder.

19 (b) For purposes of this subsection, "grandfathered service" means service  
20 purchases for which a member, whose membership date in the system is prior  
21 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652 ~~or~~  
22 61.510 to 61.705~~, or 78.510 to 78.852~~, that were available for all members  
23 of the system to purchase on August 5, 1997.

24 (c) 1. For service purchased under a before-tax or after-tax installment  
25 purchase of service agreement as provided by paragraph (a)2. of this  
26 subsection, The cost of the service shall be computed in the same manner as  
27 for a lump-sum payment which shall be the principal, except that interest

- 1           compounded annually at the actuarial rate in effect at the time the member  
2           elects to make the purchase shall be added for the period that the installments  
3           are to be made.
- 4           2. Multiple service purchases may be combined under a single installment  
5           agreement, except that no employee may make more than one (1)  
6           installment purchase at the same time.
- 7           3. For after-tax installment purchase of service agreements, The employee  
8           may elect to stop the installment payments by notifying the retirement  
9           system; may have the installment purchase recalculated to add one (1) or  
10          more additional service purchases; or may pay by lump sum the  
11          remaining principal or a portion of the remaining principal.
- 12          4. Before-tax installment purchase of service agreements shall be  
13          irrevocable, and the employee shall not be able to stop installment  
14          payments or to pay off the remaining balance of the purchase of service  
15          agreement, except upon termination of employment or death.
- 16          5. One (1) year of installment payments shall be made for each one  
17          thousand dollars (\$1,000) or any part thereof of the total cost, except that  
18          the total period allowed for installments shall not be less than one (1)  
19          year and shall not exceed five (5) years.
- 20          6. The employee shall pay the installments by payroll deduction for after-  
21          tax purchase of service agreements, and the employer shall pick up  
22          installments for before-tax purchase of service agreements. Upon  
23          notification by the retirement system, the employer shall report the  
24          installment payments either monthly or semimonthly continuously over  
25          each twelve (12) month period at the same time as, but separate from,  
26          regular employee contributions on the forms or by the computer format  
27          specified by the board.

- 1           7. The retirement system shall determine how much of the total cost  
2           represents payment for one (1) month of the service to be purchased and  
3           shall credit one (1) month of service to the member's account each time  
4           this amount has been paid. The first service credited shall represent the  
5           first calendar month of the service to be purchased and each succeeding  
6           month of service credit shall represent the succeeding months of that  
7           service.
- 8           8. If the employee utilizing an installment purchase of service agreement  
9           dies, retires, does not continue employment in a position required to  
10          participate in the retirement system, or elects to stop an after-tax  
11          installment purchase of service agreement, the member, or in the case of  
12          death, the beneficiary, shall have sixty (60) days to pay the remaining  
13          principal or a portion of the remaining principal of the installment  
14          purchase of service agreement by lump sum, subject to the restrictions of  
15          paragraph (a)1. of this subsection, or by transfer of funds under  
16          paragraph (a)3. of this subsection, except that payment by the member  
17          shall be filed with the system prior to the member's effective retirement  
18          date. If the member or beneficiary does not pay the remaining cost, the  
19          retirement system shall refund to the member or the beneficiary the  
20          payment, payments, or portion of a payment that does not represent a  
21          full month of service purchased, except as provided by subsection (22)  
22          of this section.
- 23          9. If the employer does not report installment payments on an employee for  
24          sixty (60) days for an after-tax installment purchase of service  
25          agreement, except in the case of employees on military leave or sick  
26          leave without pay, the installment purchase shall cease and the  
27          retirement system shall refund to the employee the payment, payments,



1 or portion of a payment that does not represent a full month of service  
2 purchased.

3 10. Installment payments of employees on military leave or sick leave  
4 without pay shall be suspended during the period of leave and shall  
5 resume without recalculation upon the employee's return from leave.

6 11. If payments have ceased under subparagraph 8. or 9. of this paragraph  
7 and the member later becomes a participating employee in one (1) of the  
8 two (2)~~three (3)~~ systems administered by Kentucky Retirement  
9 Systems, the employee may complete the adjusted original installment  
10 purchase by lump sum or installment payments, subject to the  
11 restrictions of this subsection. If the employee elects to renew the  
12 installment purchase, the cost of the remaining service shall be  
13 recalculated in accordance with paragraph (a) of this subsection.

14 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of  
15 purchasing service shall not be picked up, as described in KRS 16.545(4) or~~;~~  
16 61.560(4)~~;~~~~or 78.610(4)~~, by the employer.

17 (e) The cost of purchasing service credit under any provision of this section,  
18 except as provided by subsections (1) and (20) of this section, shall be  
19 determined by the delayed contribution method as provided by KRS 61.5525.

20 (f) Member payments, including interest, properly received pursuant to this  
21 subsection shall be deposited to the member's account and considered as  
22 accumulated contributions of the individual member.

23 (14)~~(15)~~ After August 1, 1998, any employee participating in one (1) of the retirement  
24 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or  
25 older and has forty-eight (48) months of service credit or, if younger, who has sixty  
26 (60) months of service credit in systems administered by Kentucky Retirement  
27 Systems may purchase service credit in the system in which the employee has the

1 service credit for up to ten (10) years service in a regular full-time position that was  
2 credited to a state or local government-administered public defined benefit plan in  
3 another state other than a defined benefit plan for teachers. The employee shall  
4 provide proof that he is not eligible for a retirement benefit for the period of service  
5 from the other state's plan.

6 (15)~~(16)~~ After August 1, 1998, any employee participating in one (1) of the retirement  
7 systems administered by Kentucky Retirement Systems, who has sixty (60) or more  
8 months of service in the State Police Retirement System or in a hazardous position  
9 in the Kentucky Employees Retirement System~~[ or the County Employees~~  
10 ~~Retirement System]~~, may purchase service credit in the system in which the  
11 employee has the sixty (60) months of service credit for up to ten (10) years of  
12 service in a regular full-time position that was credited to a defined benefit  
13 retirement plan administered by a state or local government in another state, if the  
14 service could be certified as hazardous pursuant to KRS 61.592. The employee shall  
15 provide proof that he is not eligible for a retirement benefit for the period of service  
16 from the other unit of government's plan.

17 (16)~~(17)~~ Any employee participating in one (1) of the retirement systems administered  
18 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
19 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
20 (65) in the systems administered by Kentucky Retirement Systems and who has  
21 completed service as a volunteer in the Kentucky Peace Corps, created by KRS  
22 154.1-720, may purchase service credit for the time served in the corps.

23 (17)~~(18)~~ An employee participating in any retirement system administered by Kentucky  
24 Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
25 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the  
26 systems administered by Kentucky Retirement Systems, and who was formerly  
27 employed in a regional community services program for mental health and

1 individuals with an intellectual disability, organized and operated under the  
2 provisions of KRS 210.370 to 210.480, which does not participate in a state-  
3 administered retirement system may purchase service credit for the period of his  
4 service in the regional community program for mental health and individuals with  
5 an intellectual disability.

6 ~~(18)~~~~(19)~~ An employee participating in one (1) of the retirement systems administered  
7 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
8 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
9 (65) in the systems administered by the Kentucky Retirement Systems, who was  
10 employed by a vocational technical school in a noncertified part-time position  
11 averaging eighty (80) or more hours per month, determined by using the number of  
12 months actually worked within a calendar or fiscal year, may purchase service credit  
13 in the Kentucky Employees Retirement System.

14 ~~(19)~~~~(20)~~ (a) Any person who is entitled to service credit for employment which was  
15 not reported in accordance with KRS 16.543 ~~or~~~~[,]~~ 61.543~~[, or 78.615]~~ may  
16 obtain credit for the service by paying the employee contributions due within  
17 six (6) months of notification by the system. No interest shall be added to the  
18 contributions. The service credit shall not be credited to the member's account  
19 until the employer contributions are received. If a retired member makes the  
20 payment within six (6) months, the retired member's retirement allowance  
21 shall be adjusted to reflect the added service after the employer contributions  
22 and any interest or penalties on the delinquent employer contributions are  
23 received by the retirement system.

24 (b) Any employee participating in one (1) of the state-administered retirement  
25 systems who is entitled to service credit under paragraph (a) of this subsection  
26 and who has not repaid the employee contributions due within six (6) months  
27 of notification by the system may regain the credit after the six (6) months by

1 paying to the system the employee contributions plus interest at the actuarially  
2 assumed rate from the date of initial notification under paragraph (a) of this  
3 subsection. Service credit shall not be credited to the member's account until  
4 the employer contributions and any interest or penalties on the delinquent  
5 employer contributions are received by the retirement system.

6 (c) Service purchased under this subsection by employees who begin participating  
7 on or after September 1, 2008, shall be considered service credited under KRS  
8 16.543(1) or 61.543(1) ~~or 78.615(1)~~ for purposes of determining  
9 eligibility for retirement benefits under KRS 16.505 to 16.652 or 61.510 to  
10 61.705 ~~and 78.510 to 78.852~~.

11 (d) Employees who begin participating on or after January 1, 2014, in the hybrid  
12 cash balance plan provided by KRS 16.583 and 61.597 shall, upon payment of  
13 the employee and employer contributions due under this subsection, have their  
14 accumulated account balance increased by the employee contributions,  
15 employer pay credits, and interest credits that would have been credited to  
16 their member's account if the contributions had been paid on time.

17 (e) Employer contributions payable under this subsection shall be considered  
18 delinquent and the employer shall be required to pay interest and any other  
19 penalties on the delinquent contributions in accordance with KRS  
20 61.675(3)(b) and 78.625 (3) ~~(2)~~ (a) from the date the employee should have  
21 been reported and received service credit in accordance with KRS 16.543,  
22 61.543, and 78.615.

23 (20) ~~(21)~~ Any employee participating in one (1) of the retirement systems administered  
24 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
25 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
26 (65) in the systems administered by the Kentucky Retirement Systems may  
27 purchase service credit for employment with a public agency that would have been

1 eligible to participate under KRS 61.520 but which did not participate in the  
2 Kentucky Employees Retirement System~~[or a political subdivision that would have~~  
3 ~~been eligible to participate under KRS 78.530 but which did not participate in the~~  
4 ~~County Employees Retirement System]~~ if the former public agency~~[or political~~  
5 ~~subdivision]~~ has merged with or been taken over by a participating department~~[or~~  
6 ~~county]~~.

7 ~~(21)~~(21)~~(22)~~ Any employee participating in one (1) of the retirement systems administered  
8 by the Kentucky Retirement Systems prior to July 15, 2002, who has accrued at  
9 least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60)  
10 months of service if under age sixty-five (65) in the systems administered by the  
11 Kentucky Retirement Systems and who has total service in all state-administered  
12 retirement systems of at least one hundred eighty (180) months of service credit  
13 may purchase a combined maximum total of five (5) years of retirement service  
14 credit which is not otherwise purchasable under ~~[any of ]~~the provisions of KRS  
15 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~. The purchase  
16 shall be made in any of the systems administered by Kentucky Retirement Systems  
17 in which the employee is a member. The service purchased under this subsection  
18 shall not be used in determining a retirement allowance until the member has  
19 accrued at least two hundred forty (240) months of service, excluding service  
20 purchased under this subsection. If the member does not accrue at least two hundred  
21 forty (240) months of service, excluding service purchased under this subsection,  
22 upon retirement, death, or written request following termination, the payment, plus  
23 interest as provided in KRS 61.575, shall be refunded.

24 ~~[(23) An employee participating in one (1) of the retirement systems administered by~~  
25 ~~Kentucky Retirement Systems, who has at least forty-eight (48) months of service if~~  
26 ~~age sixty five (65), or at least sixty (60) months of service if under age sixty five~~  
27 ~~(65), in the systems administered by Kentucky Retirement Systems, may obtain~~

1 credit in the ~~County Employees Retirement System for the period of that employee's~~  
2 ~~service with a community action agency created under KRS 273.405 to 273.453 if~~  
3 ~~that service was not covered by a state-administered retirement system.]~~

4 (22)~~[(24)]~~ An employee may obtain credit for regular full-time service with an agency  
5 prior to August 1, 1998, for which the employee did not receive credit due to KRS  
6 61.637(1). Service credit obtained under this subsection shall not be used in  
7 determining benefits under KRS 61.702. The employee may purchase credit for  
8 service prior to August 1, 1998, if:

9 (a) The employee retired from one (1) of the retirement systems administered by  
10 the Kentucky Retirement Systems and was reemployed prior to August 1,  
11 1998, earning less than the maximum permissible earnings under the Federal  
12 Social Security Act;

13 (b) The employee elected to participate in a second retirement account effective  
14 August 1, 1998, in accordance with KRS 61.637(7); and

15 (c) The employee has at least forty-eight (48) months of service if age sixty-five  
16 (65), or at least sixty (60) months of service if under age sixty-five (65), in a  
17 second account in the systems administered by Kentucky Retirement Systems.

18 (23)~~[(25)]~~ An employee participating in one (1) of the retirement systems administered  
19 by the Kentucky Retirement Systems, who has at least forty-eight (48) months of  
20 service if age sixty-five (65) or at least sixty (60) months of service if under age  
21 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,  
22 may obtain credit for the service in a regular full-time position otherwise creditable  
23 under the Kentucky Employees Retirement System~~[, the County Employees~~  
24 ~~Retirement System,]~~ or the State Police Retirement System for service in the United  
25 States government, other than service in the Armed Forces, for which service is not  
26 otherwise given.

27 (24)~~[(26)]~~ An employee participating in a hazardous position in one (1) of the retirement

1 systems administered by the Kentucky Retirement Systems, who has at least forty-  
 2 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
 3 service if under age sixty-five (65) in the systems administered by the Kentucky  
 4 Retirement Systems, may obtain credit for service in a regular full-time position in  
 5 an urban-county government that would qualify for hazardous duty coverage under  
 6 KRS 61.592.

7 ~~(25)~~~~(27)~~ Subsections (2) to (4), (6) to (12), (14) to (18), and (20) to (24)~~(5), (7) to~~  
 8 ~~(13), (15) to (19), and (21) to (26)~~ of this section shall not apply to members who  
 9 begin participating in the systems administered by Kentucky Retirement Systems on  
 10 or after January 1, 2014.

11 ~~(26)~~~~(28)~~ Service purchases made pursuant to subsections (2) to (4), (6), (9) to (12), (14)  
 12 to (18), (20), (21), (23), and (24)~~(5), (7), (10) to (13), (15) to (19), (21) to (23),~~  
 13 ~~(25), and (26)~~ of this section shall be purchased by the entire amount of service  
 14 available pursuant to that subsection or by increments. Service purchases made  
 15 pursuant to subsections (1), ~~(19)~~~~(20)~~, and ~~(22)~~~~(24)~~ of this section shall be  
 16 purchased by the entire amount of service available.

17 ➔Section 81. KRS 61.5525 is amended to read as follows:

18 (1) Effective July 1, 2001, purchase of service under the provisions of KRS 16.505 to  
 19 16.652 and~~[,]~~ 61.510 to 61.705, ~~[and 78.510 to 78.852,]~~ except as provided in  
 20 subsection (2) of this section, shall be determined by multiplying the higher of the  
 21 employee's current rate of pay, final rate of pay, or final compensation as of the end  
 22 of the month in which the purchase is made times the actuarial factor times the  
 23 number of years of service being purchased. Effective September 1, 2008, the  
 24 actuarial factor used to determine the cost of purchasing service credit shall assume  
 25 the earliest date the member may retire without a reduction in benefits and the cost-  
 26 of-living adjustments provided to members upon retirement under KRS 61.691.

27 (2) Subsection (1) of this section shall not apply to KRS 61.552(1) and ~~(19)~~~~(20)~~ or

1 61.592(3)(c).

2 (3) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505  
3 to 16.652 and[,] 61.510 to 61.705, [~~and 78.510 to 78.852,~~] except for service  
4 purchased under KRS 61.552(1) and (19)[~~(20)~~], shall not be used to determine  
5 eligibility for or the amount of the monthly insurance contribution under KRS  
6 61.702.

7 (4) For a member whose participation begins on or after August 1, 2004, service  
8 purchased under the provisions of KRS 16.505 to 16.652 and[,] 61.510 to 61.705,  
9 [~~and 78.510 to 78.852,~~] except for service purchased under KRS 61.552(1) and  
10 (19)[~~(20)~~], shall not be used to determine eligibility for a retirement allowance  
11 under disability retirement, early retirement, normal retirement, or death under any  
12 of the provisions of KRS 16.505 to 16.652 and[,] 61.510 to 61.705[~~, and 78.510 to~~  
13 ~~78.852~~]. Purchased service shall only be used to determine the amount of the  
14 retirement allowance of a member who is eligible for a retirement allowance under  
15 disability, early retirement, normal retirement, or death under any of the provisions  
16 of KRS 16.505 to 16.652 and[,] 61.510 to 61.705, [~~and 78.510 to 78.852,~~] based on  
17 service earned as a participating employee.

18 ➔Section 82. KRS 61.555 is amended to read as follows:

19 (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United  
20 States after he first participates in the system, who joins the Armed Forces within  
21 three (3) months of the last day of paid employment, being on leave of absence from  
22 service and not withdrawing his accumulated account balance, shall be credited for  
23 retirement purposes with service credit and creditable compensation as provided in  
24 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces of the  
25 United States, not to exceed six (6) years, if:

26 1. The member's military service was terminated in a manner other than as  
27 described in 38 U.S.C. sec. 4304; and



- 1           2.    The member returns to work with an employer participating in one (1) of  
2           the retirement systems administered by the Kentucky Retirement  
3           Systems within two (2) years after completion of the period of active  
4           military duty, or upon the subsequent termination of any total disability  
5           which existed at the expiration of the two (2) years after discharge.
- 6           (b)   A member eligible for the benefit prescribed by this subsection who  
7           participates in the hybrid cash balance plan as provided by KRS 16.583 and  
8           61.597 shall also have his or her member account credited with employee  
9           contributions, employer pay credits, and interest credits, as provided by KRS  
10          16.583 and 61.597, as though the member were employed during the  
11          member's period of active military duty described by this subsection.
- 12          (c)   The employer shall remit to the retirement systems the employer contributions  
13          that would have been due under KRS 61.565 and 61.702 for periods of service  
14          credited under this subsection.
- 15    (2)   (a)   After August 1, 1998, any employee who, prior to the date he first participated  
16          in the system, terminated his employment with an agency participating in one (1) of  
17          the systems administered by the Kentucky Retirement Systems and within three (3)  
18          months entered the Armed Forces of the United States and who returns to work with  
19          an employer participating in one (1) of the retirement systems administered by the  
20          Kentucky Retirement Systems within two (2) years after completion of the period of  
21          active military duty, or upon the subsequent termination of any total disability  
22          which existed at the expiration of the two (2) years after discharge, shall be credited  
23          for retirement purposes with service credit and creditable compensation as provided  
24          in 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,  
25          not to exceed six (6) years if his military service was terminated in a manner other  
26          than as described in 38 U.S.C. sec. 4304.
- 27          (b)   A member eligible for the benefit prescribed by this subsection who

1            participates in the hybrid cash balance plan as provided by KRS 16.583 and  
2            61.597 shall also have his or her member account credited with employee  
3            contributions, employer pay credits, and interest credits, as provided by KRS  
4            16.583 and 61.597, as though the member were employed during the  
5            member's period of active military duty described by this subsection.

6            (c) The employer shall remit to the retirement systems the employer contributions  
7            that would have been due under KRS 61.565 and 61.702 for periods of service  
8            credited under this subsection.

9            (3) Any National Guard technician involuntarily serving on active military duty during  
10           the period between January 26, 1968, and January 1, 1970, who completes his eight  
11           (8) years' service while on military duty during this period, shall have that portion of  
12           his active military duty, necessary to the completion of eight (8) years' current  
13           service, credited to his account, as current service without having to meet the  
14           reemployment criteria.

15           (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee  
16           upon completion of five (5) years of service shall receive current service credit for a  
17           maximum of four (4) years for his period of active military duty in the Armed  
18           Forces of the United States, if his military service was terminated in a manner other  
19           than as described in 38 U.S.C. sec. 4304 and he has not been credited with the  
20           service under subsections (1) to (3) of this section if he pays thirty-five percent  
21           (35%) of the cost of the service based on the formula adopted by the board. The  
22           payment by the member shall not be picked up by the employer, as described in  
23           KRS 61.560(4), and shall be deposited to his individual member's account. The  
24           remaining sixty-five percent (65%) shall be paid by the state from funds  
25           appropriated specifically for the purpose and these payments shall be deposited to  
26           the respective retirement allowance accounts. If no funds are available in the special  
27           appropriation account, the system shall not accept employee payments until funds

1 are available in the account.

2 (5) Any employee participating in one (1) of the retirement systems administered by  
3 Kentucky Retirement Systems eligible to purchase military service credit under  
4 subsection (4) of this section shall receive current service credit for active military  
5 duty as provided under subsection (4) of this section without payment of the current  
6 employee contribution ratio if the member was taken prisoner by a hostile power at  
7 any time during active military service.

8 (6) Any employee participating in one (1) of the retirement systems administered by  
9 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)  
10 months of service, at least twelve (12) of which are current service, or if younger  
11 who has sixty (60) months of service, at least twelve (12) of which are current  
12 service shall receive current service for his period of active military duty in the  
13 Armed Forces of the United States, if his military service was terminated in a  
14 manner other than as described in 38 U.S.C. sec. 4304 and he has not been credited  
15 with the service under subsections (1) to (4) of this section, by paying the retirement  
16 system a delayed contribution payment in accordance with the payment options and  
17 restrictions established by KRS 61.552(13)(~~(14)~~). Service purchases made pursuant  
18 to this subsection shall be purchased by the entire amount of service available  
19 pursuant to this subsection or by increments.

20 (7) Any employee participating in one (1) of the retirement systems administered by the  
21 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)  
22 months of service, at least twelve (12) of which are current service, or if younger  
23 who has sixty (60) months of service, at least twelve (12) of which are current  
24 service, shall receive one (1) month of current service for each six (6) months of  
25 service in the National Guard or the military reserves of the United States, by  
26 paying the retirement system a delayed contribution payment in accordance with the  
27 payment options and restrictions established by KRS 61.552(13)(~~(14)~~). The service

1 shall be treated as service earned prior to participation in the system and shall not be  
2 included in the member's final compensation. Service purchases made pursuant to  
3 this subsection shall be purchased by the entire amount of service available pursuant  
4 to this subsection or by increments.

5 (8) For members who begin participating in the systems administered by Kentucky  
6 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan  
7 prescribed by KRS 16.583 and 61.597, the provisions of subsections (4) to (7) of  
8 this section shall not apply.

9 ➔Section 83. KRS 61.559 is amended to read as follows:

10 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 ~~and 78.510 to~~  
11 ~~78.852~~, a member who begins participating before September 1, 2008, who has  
12 attained the age of sixty-five (65) and who has obtained at least one (1) month of  
13 service credit but no more than forty-seven (47) months of service may elect to  
14 receive an annual retirement allowance payable monthly or less frequently, as  
15 determined by the board, which shall be determined by multiplying his accumulated  
16 contributions by two (2) and converting this amount to an annual retirement  
17 allowance based on an annuity rate adopted by the board which would pay the  
18 actuarial equivalent of twice his accumulated contributions over the lifetime of the  
19 retired member.

20 (2) A member who begins participating before September 1, 2008, who is sixty-five  
21 (65) years of age or older is eligible for a retirement allowance determined under  
22 KRS 61.595 provided such member has forty-eight (48) months of service, at least  
23 twelve (12) of which are current service, or a retirement allowance determined  
24 under KRS 61.595 prior to age sixty-five (65) provided:

25 (a) The member has attained age fifty-five (55) and has service of sixty (60)  
26 months at least twelve (12) of which are current service; or

27 (b) The member is a retired member of the State Police Retirement System, has

- 1           attained age fifty-five (55), and has service of forty-eight (48) months at least  
2           twelve (12) of which are current service; or
- 3           (c) The member is less than age fifty-five (55) and has twenty-five (25) or more  
4           years of service, at least fifteen (15) of which are current service; or
- 5           (d) The member has thirty (30) or more years of service at least fifteen (15) of  
6           which are current service, or the member of the Kentucky Employees  
7           Retirement System ~~for the County Employees Retirement System~~ has twenty-  
8           seven (27) or more years of service, at least fifteen (15) of which are current  
9           service; or
- 10          (e) The member of the Kentucky Employees Retirement System has, at least,  
11          twenty-six (26) years of service credit, at least sixteen (16) of which are  
12          current consecutive years of service as a cabinet secretary or administrative  
13          head of one (1) of the three (3) branches of government; or
- 14          (f) The member has attained age fifty-five (55) and was an employee of a parted  
15          employer at the time his employer became ineligible to continue participation  
16          in the system, and his service in the system when added to his service with the  
17          parted employer subsequent to his separation from state government equals  
18          the early retirement service eligibility requirement of the system on the date  
19          his employer became ineligible to continue participation in the system.
- 20        (3) A member who begins participating on or after September 1, 2008, but prior to  
21        January 1, 2014, is eligible for a retirement allowance determined under KRS  
22        61.595 if:
- 23           (a) The member is sixty-five (65) years of age or older and has at least five (5)  
24           years of service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ or  
25           another state-administered retirement system;
- 26           (b) The member is fifty-seven (57) years of age or older and has an age and years  
27           of service total of at least eighty-seven (87) years. The years of service used to

1 determine eligibility for a retirement allowance under this paragraph shall only  
2 include years of service credited under KRS 16.543(1), 61.543(1), ~~for~~  
3 ~~78.615(1)~~ for another state-administered retirement system; or

4 (c) The member is sixty (60) years of age or older and has at least ten (10) years  
5 of service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ for another  
6 state-administered retirement system.

7 (4) Subsections (1) to (3) of this section shall not apply to members who begin  
8 participating in the system on or after January 1, 2014. Members who begin  
9 participating in the system on or after January 1, 2014, shall receive the retirement  
10 benefits prescribed by KRS 61.597.

11 ➔Section 84. KRS 61.565 is amended to read as follows:

12 (1) (a) Each employer participating in the State Police Retirement System as  
13 provided for in KRS 16.505 to 16.652, ~~each employer participating in the~~  
14 ~~County Employees Retirement System as provided for in KRS 78.510 to~~  
15 ~~78.852,~~ and each employer participating in the Kentucky Employees  
16 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute  
17 annually to the respective retirement system an amount equal to the percent, as  
18 computed under subsection (2) of this section, of the creditable compensation  
19 of its employees to be known as the "normal contributions," and an additional  
20 amount to be known as the "actuarially accrued liability contribution" which  
21 shall be computed by amortizing the total unfunded actuarially accrued  
22 liability over a period of thirty (30) years using the level-percentage-of-payroll  
23 amortization method. This method shall be used beginning with the 2007  
24 actuarial valuation. The initial thirty (30) year amortization period shall begin  
25 with the 2007 actuarial valuation, except as provided by paragraph (b) of this  
26 subsection.

27 (b) Effective with the 2013 actuarial valuation, the amortization period for the

1 Kentucky Employees Retirement System~~[, the County Employees Retirement~~  
2 ~~System,]~~ and the State Police Retirement System shall be reset to a new thirty  
3 (30) year period for purposes of calculating the actuarially accrued liability  
4 contribution prescribed by this subsection.

5 (c) Any significant increase in the actuarially accrued liability due to benefit  
6 improvements after the 2007 valuation shall be amortized using the level-  
7 percentage-of-payroll amortization method over a separate thirty (30) year  
8 period commencing in the year of the actuarial valuation in which the benefit  
9 improvements are first reflected.

10 (2) The normal contribution rate shall be determined by the entry age normal cost  
11 funding method. The actuarially accrued liability shall be determined by actuarial  
12 method consistent with the methods prescribed for determining the normal  
13 contribution rate. Normal contributions and the actuarially accrued liability  
14 contribution shall be determined on actuarial bases adopted by the board.

15 (3) (a) Normal contribution and the actuarially accrued liability contribution rates  
16 shall be determined by the board on the basis of the annual actuarial valuation  
17 last preceding the July 1 of a new biennium.

18 (b) ~~[The board may amend contribution rates as of July 1 of the second year of a~~  
19 ~~biennium for the County Employees Retirement System, if it is determined on~~  
20 ~~the basis of a subsequent actuarial valuation that amended contribution rates~~  
21 ~~are necessary to satisfy the requirements of subsections (1) and (2) of this~~  
22 ~~section.~~

23 ~~(e)~~ Effective for employer contribution rates payable on or after July 1, 2014, the  
24 board shall not have the authority to amend contribution rates as of July 1 of  
25 the second year of the biennium for the Kentucky Employees Retirement  
26 System and the State Police Retirement System.

27 (4) The system shall advise each employer prior to the beginning of each biennium~~[, or~~

1       ~~prior to July 1 of the second year of a biennium for employers participating in the~~  
2       ~~County Employees Retirement System,]~~ of any change in the employer contribution  
3       rate. Based on the employer contribution rate, each employer shall include in the  
4       budget sufficient funds to pay the employer contributions as determined by the  
5       board under subsections (1) to (3) of this section.

6       (5) The General Assembly shall pay the full actuarially required contribution rate, as  
7       prescribed by this section, to the Kentucky Employees Retirement System and the  
8       State Police Retirement System in fiscal years occurring on or after July 1, 2014.

9       ~~[(6) Notwithstanding any other provision of KRS Chapter 61 to the contrary, the board~~  
10       ~~shall establish employer contribution rates for the County Employees Retirement~~  
11       ~~System that will phase in to the full actuarially required contribution for the health~~  
12       ~~insurance fund over a ten (10) year period using the 2007-2008 fiscal year employer~~  
13       ~~contribution for the health insurance fund as a base employer rate and incrementally~~  
14       ~~increasing the employer rate from fiscal year 2008-2009 through fiscal year 2017-~~  
15       ~~2018.]~~

16       ➔Section 85. KRS 61.590 is amended to read as follows:

17       (1) A member or beneficiary eligible to receive retirement benefits under any of the  
18       provisions of KRS 61.510 to 61.705~~[, 78.510 to 78.852,]~~ and 16.510 to 16.652 shall  
19       have on file at the retirement office on the form prescribed by the board, a correctly  
20       completed notification of retirement, giving his name, address, Social Security  
21       number or Kentucky Retirement Systems member identification number, last day of  
22       employment, and other information the system may require. The form entitled  
23       "Notification of Retirement" shall not be filed more than six (6) months before the  
24       member's effective retirement date.

25       (2) After receipt of the correctly completed form entitled "Notification of Retirement",  
26       the system shall cause to be prepared an estimate of the amounts the member or  
27       beneficiary may expect to receive under the various plans available to the member



1 or beneficiary. This information shall be recorded on a form entitled "Estimated  
2 Retirement Allowance" and forwarded to the member or beneficiary.

3 (3) The member or beneficiary shall file at the retirement office the form entitled  
4 "Estimated Retirement Allowance" after he has checked one (1) payment option of  
5 his choice, signed the document, and had his signature witnessed. A member shall  
6 not have the right to select a different payment option on or after the first day of the  
7 month in which the member receives his or her first retirement allowance or after  
8 the effective date of a deferred retirement option as provided by subsection (6) of  
9 this section. A beneficiary shall not have the right to select a different payment  
10 option after the effective date of the beneficiary's retirement allowance as provided  
11 in subsection (7) of this section.

12 (4) A member or beneficiary choosing a monthly payment option shall have on file at  
13 the retirement office his birth certificate or other acceptable evidence of date of  
14 birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary  
15 and member shall be on file at the retirement office.

16 (5) (a) The effective date of normal retirement shall be the first month following the  
17 month in which employment from all employers participating in any of the  
18 systems administered by Kentucky Retirement Systems was terminated.

19 (b) The effective date of disability retirement shall be the first month following  
20 the month in which the member's last day of paid employment in a regular  
21 full-time position occurred, provided the member files the form entitled  
22 "Estimated Retirement Allowance" no later than six (6) months following the  
23 date the notification of approval for disability retirement benefits is mailed. If  
24 the member fails to file the form entitled "Estimated Retirement Allowance"  
25 within six (6) months of the date the notification of approval for disability  
26 retirement benefits is mailed, then the member's form entitled "Notification of  
27 Retirement" shall be void. The member shall be required to submit a new

1 form entitled "Notification of Retirement" to apply for disability retirement  
2 and reestablish eligibility for disability retirement benefits.

3 (c) The effective date of early retirement shall be the first month following the  
4 month a correctly completed form entitled "Notification of Retirement" is  
5 filed at the retirement office or a future month designated by the member, if  
6 employment from all employers participating in any of the systems  
7 administered by Kentucky Retirement Systems has been terminated and if the  
8 member files the form entitled "Estimated Retirement Allowance" no later  
9 than six (6) months following termination. If the member fails to file the form  
10 entitled "Estimated Retirement Allowance" within six (6) months following  
11 the effective retirement date of the member, then the member's form entitled  
12 "Notification of Retirement" shall be void and the member shall be required to  
13 submit a new form entitled "Notification of Retirement" to apply for early  
14 retirement.

15 (6) The effective date of a deferred retirement option as provided under KRS 16.576(5)  
16 shall be the month following age sixty-five (65), or the month following written  
17 notification from the member that he wishes to begin receiving retirement  
18 payments. In the event of the death of a member who has deferred his retirement  
19 allowance, the effective date of retirement shall be the month following the  
20 member's death.

21 (7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a  
22 beneficiary's retirement allowance under normal, early, or disability retirement shall  
23 be as prescribed in subsection (5) or (6) of this section if the member dies before the  
24 first day of the month in which the member would have received his or her first  
25 retirement allowance and his beneficiary becomes eligible for payments under KRS  
26 16.578 or 61.640.

27 ➔Section 86. KRS 61.592 is amended to read as follows:

- 1 (1) (a) "Hazardous position" for employees participating in the Kentucky Employees  
 2 Retirement System~~], and for employees who begin participating in the County~~  
 3 ~~Employees Retirement System before September 1, 2008,]~~ means:
- 4 1. Any position whose principal duties involve active law enforcement,  
 5 including the positions of probation and parole officer and  
 6 Commonwealth detective, active fire suppression or prevention, or other  
 7 positions, including, but not limited to, pilots of the Transportation  
 8 Cabinet and paramedics and emergency medical technicians, with duties  
 9 that require frequent exposure to a high degree of danger or peril and  
 10 also require a high degree of physical conditioning;
  - 11 2. Positions in the Department of Corrections in state correctional  
 12 institutions and the Kentucky Correctional Psychiatric Center with  
 13 duties that regularly and routinely require face-to-face contact with  
 14 inmates; and
  - 15 3. Positions of employees who elect coverage under KRS 196.167(3)(b)2.  
 16 and who continue to provide educational services and support to inmates  
 17 as a Department of Corrections employee.
- 18 (b) ~~["Hazardous position" for employees who begin participating in the County~~  
 19 ~~Employees Retirement System on or after September 1, 2008, means police~~  
 20 ~~officers and firefighters as defined in KRS 61.315(1), paramedics, correctional~~  
 21 ~~officers with duties that routinely and regularly require face-to-face contact~~  
 22 ~~with inmates, and emergency medical technicians if:~~
- 23 1. ~~The employee's duties require frequent exposure to a high degree of~~  
 24 ~~danger or peril and a high degree of physical conditioning; and~~
  - 25 2. ~~The employee's duties are not primarily clerical or administrative.~~
- 26 (e) ~~]~~The effective date of participation under hazardous duty coverage for  
 27 positions in the Department of Alcoholic Beverage Control shall be April 1,

1           1998. The employer and employee contributions shall be paid by the employer  
2           and forwarded to the retirement system for the period not previously reported.

3       (2) ~~[(a)]~~ Each employer may request of the board hazardous duty coverage for those  
4           positions as defined in subsection (1) of this section. Upon request, each  
5           employer shall certify to the system, in the manner prescribed by the board,  
6           the names of all employees working in a hazardous position as defined in  
7           subsection (1) of this section for which coverage is requested. The  
8           certification of the employer shall bear the approval of the agent or agency  
9           responsible for the budget of the department ~~for county~~ indicating that the  
10          required employer contributions have been provided for in the budget of the  
11          employing department or county. The system shall determine whether the  
12          employees whose names have been certified by the employer are working in  
13          positions meeting the definition of a hazardous position as provided by  
14          subsection (1) of this section. This process shall not be required for employees  
15          who elect coverage under KRS 196.167(3)(b)2.

16       ~~[(b)]~~ Each employer desiring to provide hazardous duty coverage to employees who  
17          begin participating in the County Employees Retirement System on or after  
18          September 1, 2008, may request that the board approve hazardous duty  
19          coverage for those positions that meet the criteria set forth in subsection (1)(b)  
20          of this section. Each employer shall certify to the system, in the manner  
21          prescribed by the board, the names of all employees working in a hazardous  
22          position as defined in subsection (1)(b) of this section for which coverage is  
23          requested and a job description for each position or employee. The  
24          certification of the employer shall bear the approval of the agent or agency  
25          responsible for the budget of the department or county indicating that the  
26          required employer contributions have been provided for in the budget of the  
27          employing department or county. Each employer shall also certify, under

1 ~~penalty of perjury in accordance with KRS Chapter 523, that each employee's~~  
2 ~~actual job duties are accurately reflected in the job description provided to the~~  
3 ~~system. The system shall determine whether the employees whose names have~~  
4 ~~been certified by the employer are working in positions meeting the definition~~  
5 ~~of a hazardous position as defined in subsection (1)(b) of this section. The~~  
6 ~~board shall have the authority to remove any employee from hazardous duty~~  
7 ~~coverage if the board determines the employee is not working in a hazardous~~  
8 ~~duty position or if the employee is classified in a hazardous duty position but~~  
9 ~~has individual job duties that do not meet the definition of a hazardous duty~~  
10 ~~position or are not accurately reflected in the job descriptions filed by the~~  
11 ~~employer with the system.]~~

12 (3) (a) An employee who elects coverage under KRS 196.167(3)(b)2., and an  
13 employee participating in the Kentucky Employees Retirement System who is  
14 determined by the system to be working in a hazardous position in accordance  
15 with subsection (2) of this section, shall contribute, for each pay period for  
16 which he receives compensation, eight percent (8%) of his creditable  
17 compensation.~~[An employee participating in the County Employees~~  
18 ~~Retirement System who is determined by the system to be working in a~~  
19 ~~hazardous duty position in accordance with subsection (2) of this section shall~~  
20 ~~contribute, for each pay period for which he receives compensation, eight~~  
21 ~~percent (8%) of his creditable compensation.]~~

22 (b) Each employer shall pay employer contributions based on the creditable  
23 compensation of the employees determined by the system to be working in a  
24 hazardous position at the employer contribution rate as determined by the  
25 board. The rate shall be determined by actuarial methods consistent with the  
26 provisions of KRS 61.565.

27 (c) If the employer participated in the system prior to electing hazardous duty

1 coverage, the employer may pay to the system the cost of converting the  
2 nonhazardous service to hazardous service from the date of participation to  
3 the date the payment is made, or the employer may establish a payment  
4 schedule for payment of the cost of the hazardous service above that which  
5 would be funded within the existing employer contribution rate. The employer  
6 may extend the payment schedule to a maximum of thirty (30) years.  
7 Payments made by the employer under this subsection shall be deposited to  
8 the retirement allowance account of the proper retirement system and these  
9 funds shall not be considered accumulated contributions of the individual  
10 members. If the employer elects not to make the additional payment, the  
11 employee may pay the cost of converting the service and provide payment for  
12 the cost as provided by KRS 61.552(13)(~~14~~). Payments made by the  
13 employee under this subsection shall not be picked up, as described in KRS  
14 61.560(4), by the employer. If neither the employer nor employee makes the  
15 payment, the service prior to hazardous coverage shall remain nonhazardous.  
16 The provisions of this paragraph shall not apply to members who begin  
17 participating in the systems administered by Kentucky Retirement Systems on  
18 or after January 1, 2014.

19 (4) The normal retirement age, retirement allowance, hybrid cash balance plans, other  
20 benefits, eligibility requirements, rights, and responsibilities of a member in a  
21 hazardous position, as prescribed by subsections (1), (2), and (3) of this section, and  
22 the responsibilities, rights, and requirements of his employer shall be as prescribed  
23 for a member and employer participating in the State Police Retirement System as  
24 provided for by KRS 16.505 to 16.652.

25 (5) Any person employed in a hazardous position after July 1, 1972, shall be required to  
26 undergo a thorough medical examination by a licensed physician, and a copy of the  
27 medical report of the physician shall be retained on file by the employee's

1 department or county and made available to the system upon request.

2 (6) If doubt exists regarding the benefits payable to a hazardous position employee  
3 under this section, the board shall determine the benefits payable under KRS 61.510  
4 to 61.705, ~~for 78.510 to 78.852,~~ or 16.505 to 16.652.

5 ➔Section 87. KRS 61.595 is amended to read as follows:

6 (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent  
7 thereto, a **Kentucky Employees Retirement System** member may receive an annual  
8 retirement allowance, payable monthly during his lifetime, which shall consist of an  
9 amount equal to ~~two and two-tenths percent (2.2%) for the County Employees~~  
10 ~~Retirement System and~~ one and ninety-seven hundredths percent (1.97%) ~~for the~~  
11 ~~Kentucky Employees Retirement System~~ of final compensation multiplied by the  
12 number of years of service credit, except that:

13 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement  
14 System who was participating in one (1) of the state-administered retirement  
15 systems as of January 1, 1998, and continues to participate through January 1,  
16 1999, shall receive an annual retirement allowance, payable monthly during  
17 his lifetime, which shall consist of an amount equal to two percent (2%) of  
18 final compensation multiplied by the number of years of service credit. Any  
19 Kentucky Employees Retirement System member whose effective date of  
20 retirement is between February 1, 1999, and January 31, 2009, and who has at  
21 least twenty (20) years of service credit in one (1) of the state-administered  
22 retirement systems and who was participating in one (1) of the state-  
23 administered retirement systems as of January 1, 1998, and continues to  
24 participate through January 1, 1999, shall receive an annual retirement  
25 allowance, payable monthly during his lifetime, which shall consist of an  
26 amount equal to two and two-tenths percent (2.2%) of final compensation  
27 multiplied by the number of years of service credit. Notwithstanding the

1 provisions of KRS 61.565, the funding for this paragraph shall be provided  
2 from existing funds of the retirement allowance account;

3 (b) ~~[For a member of the County Employees Retirement System whose~~  
4 ~~participation begins on or after August 1, 2004, the annual retirement~~  
5 ~~allowance upon retirement at normal retirement date or later shall be equal to~~  
6 ~~two percent (2%) of final compensation multiplied by the number of years of~~  
7 ~~service credit and shall be payable monthly during his lifetime;~~

8 (c) ~~—~~ The annual normal retirement allowance for members of the General  
9 Assembly, who serve during the 1974 or 1976 General Assembly, and will  
10 have eight (8) years or more of total legislative service as of January 6, 1978,  
11 shall not be less than two hundred forty dollars (\$240) multiplied by the  
12 number of years of service as a member of the General Assembly;

13 ~~(c)(d)~~ For a member of the Kentucky Employees Retirement System ~~[or the~~  
14 ~~County Employees Retirement System]~~ who begins participating on or after  
15 September 1, 2008, the annual retirement allowance upon retirement shall be  
16 equal to:

- 17 1. a. One and one-tenth percent (1.1%) of final compensation for each  
18 year of service if the member has earned ten (10) or less years of  
19 service at retirement;
- 20 b. One and three-tenths percent (1.3%) of final compensation for  
21 each year of service if the member has earned greater than ten (10)  
22 but no more than twenty (20) years of service at retirement;
- 23 c. One and one-half percent (1.5%) of final compensation for each  
24 year of service if the member has earned greater than twenty (20)  
25 but no more than twenty-six (26) years of service at retirement; or
- 26 d. One and three-quarters percent (1.75%) of final compensation for  
27 each year of service if the member has earned greater than twenty-



1                   six (26) but no more than thirty (30) years of service at retirement;  
2                   and

3           2.   Two percent (2.0%) of final compensation for each year of service  
4           earned in excess of thirty (30) years of service at retirement;

5   ~~(d)~~~~(e)~~   The annual normal retirement allowance for members of the General  
6           Assembly who will have fewer than eight (8) years of service as of December  
7           31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the  
8           1972 General Assembly for legislative service prior to January 1, 1974;

9   ~~(e)~~~~(f)~~   Former members of the General Assembly who have eight (8) or more  
10          years of legislative service prior to the 1976 Regular Session are eligible for  
11          an increased retirement allowance of two hundred forty dollars (\$240) times  
12          the years of legislative service, if the member pays to the Kentucky  
13          Employees Retirement System thirty-five percent (35%) of the actuarial cost  
14          of the higher benefit, as determined by the system, except that a former  
15          member with sixteen (16) or more years of legislative service, or his  
16          beneficiary, who is receiving a retirement allowance, also is eligible under this  
17          section and may apply for a recomputation of his retirement allowance. The  
18          employer's share of sixty-five percent (65%) of the computed actuarial cost  
19          shall be paid from the State Treasury to the Kentucky Employees Retirement  
20          System upon presentation of a properly documented claim to the Finance and  
21          Administration Cabinet. If any member with sixteen (16) or more years of  
22          legislative service previously applied for and is receiving a retirement  
23          allowance, he may reapply and his retirement allowance shall be recomputed  
24          in accordance with this paragraph, and he shall thereafter be paid in  
25          accordance with the option selected by him at the time of the reapplication;  
26          and

27   ~~(f)~~~~(g)~~   The annual normal retirement allowance for a member with ten (10) or

1 more years of service, in the Kentucky Employees Retirement System, at least  
2 one (1) of which is current service, shall not be less than five hundred twelve  
3 dollars (\$512).

4 (2) (a) Upon service retirement prior to normal retirement date, a member may  
5 receive an annual retirement allowance payable monthly during his lifetime  
6 which shall be determined in the same manner as for retirement at his normal  
7 retirement date with years of service and final compensation being determined  
8 as of the date of his actual retirement, but the amount of the retirement  
9 allowance so determined shall be reduced at an amount determined by the  
10 board's actuary to reflect the earlier commencement of benefits.

11 (b) A member of the Kentucky Employees Retirement System~~[or the County~~  
12 ~~Employees Retirement System]~~ who begins participating before September 1,  
13 2008, who has twenty-seven (27) or more years of service credit, at least  
14 fifteen (15) of which are current service, may retire with no reduction in the  
15 retirement allowance. A member who begins participating before September  
16 1, 2008, who has earned vested service credit in a retirement system, other  
17 than the Teachers' Retirement System, sponsored by a Kentucky institution of  
18 higher education, the Council on Postsecondary Education, or the Higher  
19 Education Assistance Authority, may count the vested service toward attaining  
20 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)  
21 to qualify for a retirement allowance. The credit from a Kentucky institution  
22 of higher education, the Council on Postsecondary Education, or the Higher  
23 Education Assistance Authority shall not be used toward the minimum fifteen  
24 (15) years of current service required by KRS 61.559(2)(c) and (d) or to  
25 calculate his retirement allowance pursuant to this section. The provisions of  
26 this paragraph shall not be construed to limit the use of Teachers' Retirement  
27 System credit pursuant to KRS 61.680(2)(a).

1 (c) A member of the Kentucky Employees Retirement System ~~for the County~~  
2 ~~Employees Retirement System~~ who begins participating on or after  
3 September 1, 2008, may retire with no reduction in benefits if the member is  
4 fifty-seven (57) years of age or older and has an age and years of service total  
5 of at least eighty-seven (87) years. The years of service used to determine  
6 eligibility for an unreduced retirement allowance under this paragraph shall  
7 only include years of service credited under KRS 16.543(1), 61.543(1) ~~or~~  
8 ~~78.615(1)~~ or another state-administered retirement system.

9 (3) Subsections (1) and (2) of this section shall not apply to members who begin  
10 participating in the system on or after January 1, 2014. Members who begin  
11 participating in the system on or after January 1, 2014, shall receive the retirement  
12 benefits prescribed by KRS 61.597.

13 ➔Section 88. KRS 61.597 is amended to read as follows:

14 (1) A member of the Kentucky Employees Retirement System ~~for County Employees~~  
15 ~~Retirement System~~ who is not participating in a hazardous duty position as  
16 provided by KRS 61.592, whose participation in the systems begins on or after  
17 January 1, 2014, or a member making an election pursuant to KRS 61.5955, shall  
18 receive the retirement benefits provided by this section in lieu of the retirement  
19 benefits provided under KRS 61.559 and 61.595. The retirement benefit provided  
20 by this section shall be known as the hybrid cash balance plan and shall operate as  
21 another benefit tier within the Kentucky Employees Retirement System ~~and the~~  
22 ~~County Employees Retirement System~~.

23 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
24 member's accumulated account balance, which shall include:

25 (a) Contributions made by the member as provided by KRS 16.505 to 16.652  
26 and ~~and~~ 61.510 to 61.705 ~~and 78.510 to 78.852~~, except for employee  
27 contributions prescribed by KRS 61.702(2)(b);

- 1 (b) An employer pay credit of four percent (4%) of the creditable compensation  
2 earned by the employee for each month the employee is contributing to the  
3 hybrid cash balance plan provided by this section; and
- 4 (c) Interest credits added annually to the member's accumulated account balance  
5 as provided by this section.
- 6 (3) (a) Member contributions and employer pay credits as provided by subsection  
7 (2)(a) and (b) of this section shall be credited to the member's account  
8 monthly as contributions are reported and posted to the system in accordance  
9 with KRS 61.675 ~~and 78.625~~.
- 10 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
11 credited to the member's account annually on June 30 of each fiscal year, as  
12 determined by subsection (4) of this section.
- 13 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
14 contributed to the hybrid cash balance plan during the fiscal year.
- 15 (b) If the member contributed to the hybrid cash balance plan during the fiscal  
16 year, the interest credit added to the member's account for that fiscal year shall  
17 be determined by multiplying the member's accumulated account balance on  
18 June 30 of the preceding fiscal year by a percentage increase equal to:
- 19 1. Four percent (4%); plus  
20 2. Seventy-five percent (75%) of the system's geometric average net  
21 investment return in excess of a four percent (4%) rate of return.
- 22 (c) If the member did not contribute to the hybrid cash balance plan during the  
23 fiscal year, the interest credit added to the member's account for that fiscal  
24 year shall be determined by multiplying the member's accumulated account  
25 balance on June 30 of the preceding fiscal year by four percent (4%).
- 26 (d) For purposes of this subsection, "system's geometric average net investment  
27 return":

- 1           1. Means the annual average geometric investment return, net of  
2           administrative and investment fees and expenses, over the last five (5)  
3           fiscal years as of the date the interest is credited to the member's  
4           account; and
- 5           2. Shall be expressed as a percentage and based upon the system in which  
6           the member has an account.
- 7           (e) No employer pay credits or interest credits shall be provided to a member who  
8           has taken a refund of contributions as provided by KRS 61.625 or who has  
9           retired and annuitized his or her accumulated account balance as prescribed by  
10          this section.
- 11       (5) (a) Upon termination of employment, a member who has less than five (5) years  
12          of service credited under KRS 16.543(1) and ~~61.543(1), and 78.615(1)~~,  
13          who elects to take a refund of his or her accumulated account balance as  
14          provided by KRS 61.625, shall forfeit the accumulated employer credit, and  
15          shall only receive a refund of his or her accumulated contributions.
- 16       (b) Upon termination of employment, a member who has five (5) or more years of  
17          service credited under KRS 16.543(1) and ~~61.543(1), and 78.615(1)~~, who  
18          elects to take a refund of his or her accumulated account balance as provided  
19          by KRS 61.625, shall receive a full refund of his or her accumulated account  
20          balance.
- 21       (6) A member participating in the hybrid cash balance plan provided by this section  
22          may retire:
- 23       (a) At his or her normal retirement date, provided he or she has earned five (5) or  
24          more years of service credited under KRS 16.543(1), 61.543(1), ~~78.615(1)~~,  
25          for another state-administered retirement system; or
- 26       (b) If the member is at least age fifty-seven (57) and has an age and years of  
27          service total of at least eighty-seven (87) years. The years of service used to

1 determine eligibility for retirement under this paragraph shall only include  
2 years of service credited under KRS 16.543(1), 61.543(1), ~~78.615(1),~~ or  
3 another state-administered retirement system.

4 (7) A member eligible to retire under subsection (6) of this section may elect to:

5 (a) Receive a monthly retirement allowance payable for life by having his or her  
6 accumulated account balance annuitized by the retirement systems in  
7 accordance with the actuarial assumptions and actuarial methods adopted by  
8 the board and in effect on the member's retirement date;

9 (b) Receive the actuarial equivalent of his or her retirement allowance calculated  
10 under paragraph (a) of this subsection payable under one (1) of the options set  
11 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

12 (c) Take a refund of his or her account balance as provided by KRS 61.625.

13 (8) The provisions of this section shall not apply to members who began participating  
14 in the Kentucky Employees Retirement System ~~or the County Employees~~  
15 ~~Retirement System~~ prior to January 1, 2014, except for those members making an  
16 election pursuant to KRS 61.5955.

17 ➔Section 89. KRS 61.598 is amended to read as follows:

18 (1) For purposes of this section, "bona fide promotion or career advancement":

19 (a) Means a professional advancement in substantially the same line of work held  
20 by the employee in the four (4) years immediately prior to the final five (5)  
21 fiscal years preceding retirement or a change in employment position based on  
22 the training, skills, education, or expertise of the employee that imposes a  
23 significant change in job duties and responsibilities to clearly justify the  
24 increased compensation to the member; and

25 (b) Does not include any circumstance where an elected official participating in  
26 the Kentucky Employees Retirement System ~~or the County Employees~~  
27 ~~Retirement System~~ takes a position of employment with a different employer

1 participating in any of the state-administered retirement systems.

2 (2) (a) For employees retiring from the Kentucky Employees Retirement System~~[-the~~  
3 ~~County Employees Retirement System,]~~ or the State Police Retirement System  
4 on or after January 1, 2018, the systems shall, for each of the retiring  
5 employee's last five (5) fiscal years of employment, identify any fiscal year in  
6 which the creditable compensation increased at a rate of ten percent (10%) or  
7 more annually over the immediately preceding fiscal year's creditable  
8 compensation. The employee's creditable compensation in the fiscal year  
9 immediately prior to the employee's last five (5) fiscal years of employment  
10 shall be utilized to compare the initial fiscal year in the five (5) fiscal year  
11 period.

12 (b) Except as limited or excluded by subsections (3) and (4) of this section, any  
13 amount of increase in creditable compensation for a fiscal year identified  
14 under paragraph (a) of this subsection that exceeds ten percent (10%) more  
15 than the employee's creditable compensation from the immediately preceding  
16 fiscal year shall not be included in the creditable compensation used to  
17 calculate the retiring employee's monthly retirement allowance. If the  
18 creditable compensation for a specific fiscal year identified under paragraph  
19 (a) of this subsection as exceeding the ten percent (10%) increase limitation is  
20 not used to calculate the retiring employee's monthly retirement allowance,  
21 then no reduction in creditable compensation shall occur for that fiscal year.

22 (c) If the creditable compensation of the retiring employee is reduced as provided  
23 by paragraph (b) of this subsection, the retirement systems:

- 24 1. Shall refund the employee contributions and interest attributable to the  
25 reduction in creditable compensation; and
- 26 2. Shall not refund the employer contributions paid but shall utilize those  
27 funds to pay down the unfunded liability of the pension fund in which

1                   the retiring employee participated.

2     (3) In order to ensure the prospective application of the limitations on increases in  
3       creditable compensation contained in subsection (2) of this section, only the  
4       creditable compensation earned by the retiring employee on or after July 1, 2017,  
5       shall be subject to reduction under subsection (2) of this section. Creditable  
6       compensation earned by the retiring employee prior to July 1, 2017, shall not be  
7       subject to reduction under subsection (2) of this section.

8     (4) Subsection (2) of this section shall not apply to:

9       (a) A bona fide promotion or career advancement as defined by subsection (1) of  
10       this section;

11       (b) A lump-sum payment for compensatory time paid to an employee upon  
12       termination of employment;

13       (c) A lump-sum payment made pursuant to an alternate sick leave program under  
14       KRS 78.616(5) that is paid to an employee upon termination of employment;

15       (d) Increases in creditable compensation in a fiscal year over the immediately  
16       preceding fiscal year, where in the immediately preceding fiscal year the  
17       employer reported the employee as being on leave without pay for any reason,  
18       including but not limited to sick leave without pay, maternity leave, leave  
19       authorized under the Family Medical Leave Act, and any period of time where  
20       the employee received workers' compensation benefit payments that were not  
21       reported to the plan as creditable compensation;

22       (e) Increases in creditable compensation directly attributable to an employee's  
23       receipt of compensation for overtime hours worked while serving as a  
24       participating employee under any state or federal grant, grant pass-through, or  
25       similar program that requires overtime as a condition or necessity of the  
26       employer's receipt of the grant; and

27       (f) Increases in creditable compensation directly attributable to an employee's



1 receipt of compensation for overtime performed during a state of emergency  
2 declared by the President of the United States or the Governor of the  
3 Commonwealth of Kentucky.

4 (5) (a) For employees retiring on or after January 1, 2014, but prior to July 1, 2017,  
5 the last participating employer shall be required to pay for any additional  
6 actuarial costs resulting from annual increases in an employee's creditable  
7 compensation greater than ten percent (10%) over the employee's last five (5)  
8 fiscal years of employment that are not the direct result of a bona fide  
9 promotion or career advancement. The cost shall be determined by the  
10 retirement systems.

11 (b) Lump-sum payments for compensatory time paid to an employee upon  
12 termination of employment shall be exempt from this subsection.

13 (c) Kentucky Retirement Systems shall be required to answer inquiries from  
14 participating employers regarding this subsection. Upon request of the  
15 employer prior to the employee's change of position or hiring, the systems  
16 shall make a determination that is binding to the systems as to whether or not  
17 a change of position or hiring constitutes a bona fide promotion or career  
18 advancement.

19 (d) For any additional actuarial costs charged to the employer under this  
20 subsection, the systems shall allow the employer to pay the costs without  
21 interest over a period of one (1) year from the date of receipt of the employer's  
22 final invoice.

23 (6) The Kentucky Retirement Systems shall determine whether increases in creditable  
24 compensation during the last five (5) fiscal years of employment prior to retirement  
25 constitute a bona fide promotion or career advancement and may promulgate  
26 administrative regulations in accordance with KRS Chapter 13A to administer this  
27 section. All state-administered retirement systems shall cooperate to implement this

1 section.

2 (7) Any employer who disagrees with a determination made by the system in  
3 accordance with this section regarding whether an increase in compensation  
4 constitutes a bona fide promotion or career advancement for purposes of subsection  
5 (5) of this section may request a hearing and appeal the decision in accordance with  
6 KRS 61.645(16).

7 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky  
8 Retirement Systems shall provide a means for employers to separately report the  
9 specific exceptions provided in subsection (4) of this section within the reporting  
10 system utilized by the employers for making employer reports under KRS 16.645  
11 and, ~~61.675[, and 78.545].~~ The Kentucky Retirement Systems shall continually  
12 provide communication, instructions, training, and educational opportunities for  
13 employers regarding how to appropriately report exemptions established by  
14 subsection (4) of this section.

15 (9) This section shall not apply to employees participating in the hybrid cash balance  
16 plan as provided by KRS 16.583 and 61.597.

17 ➔Section 90. KRS 61.600 is amended to read as follows:

18 (1) Any person may qualify to retire on disability, subject to the following conditions:

19 (a) The person shall have sixty (60) months of service, twelve (12) of which shall  
20 be current service credited under KRS 16.543(1) or, ~~61.543(1)[, or~~  
21 ~~78.615(1)]~~;

22 (b) For a person whose membership date is prior to August 1, 2004, the person  
23 shall not be eligible for an unreduced retirement allowance;

24 (c) The person's application shall be on file in the retirement office no later than  
25 twenty-four (24) months after the person's last day of paid employment, as  
26 defined in KRS 61.510, in a regular full-time position, as defined in KRS  
27 61.510 ~~or 78.510~~; and

- 1 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665.
- 2 (2) A person's disability reapplication based on the same claim of incapacity shall be  
3 accepted and reconsidered for disability if accompanied by new objective medical  
4 evidence. The reapplication shall be on file in the retirement office no later than  
5 twenty-four (24) months after the person's last day of paid employment in a regular  
6 full-time position.
- 7 (3) Upon the examination of the objective medical evidence by licensed physicians  
8 pursuant to KRS 61.665, it shall be determined that:
- 9 (a) The person, since his last day of paid employment, has been mentally or  
10 physically incapacitated to perform the job, or jobs of like duties, from which  
11 he received his last paid employment. In determining whether the person may  
12 return to a job of like duties, any reasonable accommodation by the employer  
13 as provided in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be  
14 considered;
- 15 (b) The incapacity is a result of bodily injury, mental illness, or disease. For  
16 purposes of this section, "injury" means any physical harm or damage to the  
17 human organism other than disease or mental illness;
- 18 (c) The incapacity is deemed to be permanent; and
- 19 (d) The incapacity does not result directly or indirectly from bodily injury, mental  
20 illness, disease, or condition which pre-existed membership in the system or  
21 reemployment, whichever is most recent. For purposes of this subsection,  
22 reemployment shall not mean a change of employment between employers  
23 participating in the retirement systems administered by the Kentucky  
24 Retirement Systems with no loss of service credit.
- 25 (4) Paragraph (d) of subsection (3) of this section shall not apply if:
- 26 (a) The incapacity is a result of bodily injury, mental illness, disease, or condition  
27 which has been substantially aggravated by an injury or accident arising out of

1 or in the course of employment; or

2 (b) The person has at least sixteen (16) years' current or prior service for  
3 employment with employers participating in the retirement systems  
4 administered by the Kentucky Retirement Systems.

5 (5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result  
6 in death or can be expected to last for a continuous period of not less  
7 than twelve (12) months from the person's last day of paid employment  
8 in a regular full-time position.

9 2. The determination of a permanent incapacity shall be based on the  
10 medical evidence contained in the member's file and the member's  
11 residual functional capacity and physical exertion requirements.

12 (b) The person's residual functional capacity shall be the person's capacity for  
13 work activity on a regular and continuing basis. The person's physical ability  
14 shall be assessed in light of the severity of the person's physical, mental, and  
15 other impairments. The person's ability to walk, stand, carry, push, pull, reach,  
16 handle, and other physical functions shall be considered with regard to  
17 physical impairments. The person's ability to understand, remember, and carry  
18 out instructions and respond appropriately to supervision, coworkers, and  
19 work pressures in a work setting shall be considered with regard to mental  
20 impairments. Other impairments, including skin impairments, epilepsy, visual  
21 sensory impairments, postural and manipulative limitations, and  
22 environmental restrictions, shall be considered in conjunction with the  
23 person's physical and mental impairments to determine residual functional  
24 capacity.

25 (c) The person's physical exertion requirements shall be determined based on the  
26 following standards:

27 1. Sedentary work shall be work that involves lifting no more than ten (10)

- 1                   pounds at a time and occasionally lifting or carrying articles such as  
2                   large files, ledgers, and small tools. Although a sedentary job primarily  
3                   involves sitting, occasional walking and standing may also be required  
4                   in the performance of duties.
- 5                   2. Light work shall be work that involves lifting no more than twenty (20)  
6                   pounds at a time with frequent lifting or carrying of objects weighing up  
7                   to ten (10) pounds. A job shall be in this category if lifting is  
8                   infrequently required but walking and standing are frequently required,  
9                   or if the job primarily requires sitting with pushing and pulling of arm or  
10                  leg controls. If the person has the ability to perform substantially all of  
11                  these activities, the person shall be deemed capable of light work. A  
12                  person deemed capable of light work shall be deemed capable of  
13                  sedentary work unless the person has additional limitations such as the  
14                  loss of fine dexterity or inability to sit for long periods.
- 15                  3. Medium work shall be work that involves lifting no more than fifty (50)  
16                  pounds at a time with frequent lifting or carrying of objects weighing up  
17                  to twenty-five (25) pounds. If the person is deemed capable of medium  
18                  work, the person shall be deemed capable of light and sedentary work.
- 19                  4. Heavy work shall be work that involves lifting no more than one  
20                  hundred (100) pounds at a time with frequent lifting or carrying of  
21                  objects weighing up to fifty (50) pounds. If the person is deemed capable  
22                  of heavy work, the person shall also be deemed capable of medium,  
23                  light, and sedentary work.
- 24                  5. Very heavy work shall be work that involves lifting objects weighing  
25                  more than one hundred (100) pounds at a time with frequent lifting or  
26                  carrying of objects weighing fifty (50) or more pounds. If the person is  
27                  deemed capable of very heavy work, the person shall be deemed capable

1 of heavy, medium, light, and sedentary work.

2 →Section 91. KRS 61.607 is amended to read as follows:

3 Notwithstanding any other provisions of KRS 16.505 to 16.652 ~~or~~ 61.510 to 61.705~~;~~  
4 ~~or 78.510 to 78.852~~, a maximum disability benefit is hereby established which shall  
5 apply, upon disability retirement, to any disabled employee's account to which service  
6 credit is added to determine disability benefits or in any case where disability benefits are  
7 determined by computing a percentage of the disabled employee's final monthly rate of  
8 pay. The maximum disability benefit shall be determined by the following formula:

9 (1) Add the monthly benefit payable to the disabled employee from the retirement  
10 system, using the monthly disability retirement allowance (not optional plan) but  
11 excluding dependent children's allowances, if any, to his monthly benefit, if any,  
12 from Social Security, even though these payments may not begin for a period of  
13 time as required for qualification under the federal Social Security law, excluding  
14 spouse or dependent benefits, and his monthly benefit, if any, from workers'  
15 compensation, even though these payments may not have begun as of the date the  
16 disabled member applies for disability retirement benefits, excluding spouse or  
17 dependent children's allowances, from workers' compensation, to arrive at a  
18 projected combined monthly benefit.

19 (2) If the projected combined monthly benefit exceeds one hundred percent (100%) of  
20 the disabled employee's final rate of pay or his final compensation, whichever is  
21 greater, his disability retirement allowance from the retirement system shall be  
22 reduced to an amount which would cause his projected combined monthly benefit to  
23 equal one hundred percent (100%) of his final rate of pay or his final compensation,  
24 whichever is greater; however, the disability retirement allowance shall not be  
25 reduced below an amount which would result from a computation of his disability  
26 retirement allowance from the retirement system using the disabled employee's  
27 actual total service.

- 1 (3) The system may pay estimated benefits to a disabled employee, upon qualification  
2 for disability retirement, based on an estimate of his Social Security and workers'  
3 compensation benefits until the amounts are actually determined, at which time a  
4 final calculation of the member's actual benefits shall be determined and his account  
5 corrected retroactive to his effective retirement date.
- 6 (4) Any increase in Social Security benefits or workers' compensation benefits which  
7 becomes law, regardless of their effective date, subsequent to the disabled  
8 employee's effective retirement date, shall not be considered in determination of the  
9 maximum benefit payable, as the maximum benefit payable is based on the amount  
10 of combined benefits under these programs as of the disabled employee's effective  
11 retirement date.
- 12 (5) Any disabled recipient whose potential payments from the system were reduced as  
13 provided for in this section shall advise the system if his payments under the  
14 Federal Social Security Act or Workers' Compensation Act cease at any time  
15 subsequent to his effective retirement date. Upon investigation, if the system  
16 determines that the disabled recipient continues to be eligible for disability benefits,  
17 the system may increase his retirement allowance by adding to his payment an  
18 amount equal to the reduction applied upon the effective retirement date in  
19 accordance with subsection (2) of this section.
- 20 **(6) The amount of combined disability benefit payments made to an individual on or**  
21 **after July 1, 2018, from the Kentucky Retirement Systems or the County**  
22 **Employees Retirement System shall not be increased as a result of the passage of**  
23 **this Act.**
- 24 ➔Section 92. KRS 61.621 is amended to read as follows:
- 25 (1) Notwithstanding any provision of any statutes to the contrary, effective June 1,  
26 2000, any employee participating in one (1) of the state-administered retirement  
27 systems who is not in a hazardous duty position, as defined in KRS 61.592 **or**

1        Section 16 of this Act, shall be eligible for minimum benefits equal to the benefits  
2 payable under this section, ~~or~~ KRS 61.702, or Section 50 of this Act, if the  
3 employee dies or becomes totally and permanently disabled to engage in any  
4 occupation for remuneration or profit as a result of a duty-related injury.

5 (2) (a) For purposes of this section, "duty-related injury" means:

6            1. a. A single traumatic event that occurs while the employee is  
7 performing the duties of his position; or

8            b. A single act of violence committed against the employee that is  
9 found to be related to his job duties, whether or not it occurs at his  
10 job site; and

11           2. The event or act of violence produces a harmful change in the human  
12 organism evidenced by objective medical findings.

13 (b) Duty-related injury does not include the effects of the natural aging process, a  
14 communicable disease unless the risk of contracting the disease is increased  
15 by nature of the employment, or a psychological, psychiatric, or stress-related  
16 change in the human organism unless it is the direct result of a physical injury.

17 (3) (a) If the employee dies as a result of a duty-related injury and is survived by a  
18 spouse, the surviving spouse shall be the beneficiary, and this shall supersede  
19 the designation of all previous beneficiaries of the deceased employee's  
20 retirement account.

21 (b) The surviving spouse may elect to receive the benefits payable under KRS  
22 61.640 or other applicable death benefit statutes, or may elect to receive a  
23 lump-sum payment of ten thousand dollars (\$10,000) and a monthly payment  
24 equal to twenty-five percent (25%) of the member's monthly final rate of pay  
25 beginning in the month following the member's death and continuing each  
26 month until death.

27 (4) If the employee is determined to be disabled as provided in KRS 61.600, or other



1 applicable disability statutes in any other state-administered retirement system, as  
2 the result of a duty-related injury, the employee may elect to receive benefits  
3 determined under the provisions of KRS 61.605, or other applicable disability  
4 statutes in any other state-administered retirement system, except that the monthly  
5 retirement allowance shall not be less than twenty-five percent (25%) of the  
6 employee's monthly final rate of pay. For purposes of determining disability, the  
7 service requirement in KRS 61.600(1)(a), or other applicable statutes in any other  
8 state-administered retirement system, shall be waived.

9 (5) In the period of time following a member's death or disability during which  
10 dependent children survive, a monthly payment shall be made for each dependent  
11 child who is alive which shall be equal to ten percent (10%) of the deceased or  
12 disabled member's monthly final rate of pay; however, total maximum dependent  
13 children's benefits shall not exceed forty percent (40%) of the deceased or disabled  
14 member's monthly final rate of pay at the time any particular payment is due. The  
15 payment shall commence in the month following the date of death or disability of  
16 the member and shall be payable to the beneficiaries, or to a legally appointed  
17 guardian, or as directed by the system. Benefits for death as a result of a duty-  
18 related injury shall be payable under this subsection notwithstanding an election by  
19 a beneficiary to withdraw the deceased member's accumulated account balance as  
20 provided in KRS 61.625 or benefits under any other provisions of KRS 61.515 to  
21 61.705 or other applicable death benefit statutes in any other state-administered  
22 retirement system.

23 (6) (a) A spouse applying for benefits under this section who is also eligible for  
24 benefits under KRS 61.640 or Section 41 of this Act may elect to receive  
25 benefits under KRS 61.640(2)(a) or (b) or subsection (2)(a) or (b) of Section  
26 41 of this Act while the application for benefits under this section is pending.

27 (b) If a final determination results in a finding of eligibility for benefits under this

1 section, the system shall recalculate the benefits due the spouse in accordance  
2 with this subsection.

3 (c) If the spouse has been paid less than the amount of benefits to which the  
4 spouse was entitled to receive under this section, the system shall pay the  
5 additional funds due to the spouse.

6 (d) If the spouse has been paid more than the benefit the spouse was eligible to  
7 receive under this section, then the system shall deduct the amount owed by  
8 the spouse from the ten thousand dollars (\$10,000) lump-sum payment and  
9 from the monthly retirement allowance payments until the amount owed to the  
10 systems has been recovered.

11 (7) This section shall be known as "The Fred Capps Memorial Act."

12 ➔Section 93. KRS 61.623 is amended to read as follows:

13 (1) A recipient who begins receiving a retirement allowance August 1, 2000, or after,  
14 from the Kentucky Employees Retirement System~~[, the County Employees~~  
15 ~~Retirement System,]~~ or the State Police Retirement System shall have the retirement  
16 allowance paid by electronic fund transfer to a financial institution designated by  
17 the recipient except as provided by subsection (5) of this section.

18 (2) When an individual becomes eligible to receive a monthly retirement allowance, the  
19 retirement system shall provide an authorization for deposit of retirement payment  
20 form to the recipient to have the monthly retirement allowance deposited to an  
21 account in a financial institution.

22 (3) The recipient shall provide the information and authorization required for the  
23 electronic transfer of funds from the State Treasurer's office to the designated  
24 financial institution.

25 (4) At any time while receiving a retirement allowance, the recipient may change the  
26 designated institution by completing a new authorization for deposit of retirement  
27 payment form and filing the form at the retirement office in Frankfort. The last

1 authorization for deposit of retirement payment on file at the retirement office shall  
2 control the electronic transfer of the recipient's retirement allowance.

3 (5) (a) A recipient may request to be paid by check issued by the State Treasurer  
4 instead of by electronic transfer by completing and filing at the retirement  
5 office a request for payment by check form.

6 (b) The request shall be approved if:

7 1. The recipient certifies that he does not currently have an account with a  
8 financial institution; or

9 2. The recipient's bank certifies that it does not participate in the electronic  
10 funds transfer program.

11 (c) The retirement office shall, every five (5) years, require the recipient to certify  
12 that the original conditions under which he requested payment by check  
13 continue. If the original conditions do not exist, the recipient shall complete  
14 an authorization for direct deposit of retirement payment form and file it with  
15 the retirement office.

16 ➔Section 94. KRS 61.625 is amended to read as follows:

17 (1) (a) Prior to the member's effective retirement date, a member if living, or if not  
18 living, his designated beneficiary, shall have the right to request a refund of  
19 his accumulated account balance if the member's employment has been  
20 terminated and the member is not participating in the same system.

21 (b) Upon the death of a member occurring on or after his or her effective  
22 retirement date, the member's beneficiary shall have the right to request a  
23 refund of the member's accumulated contributions, reduced by the amount of  
24 any retirement allowances previously received.

25 (2) Payments made under this section shall be in lieu of any other benefits due for the  
26 period of service under any of the provisions of KRS 16.505 to 16.652 or 61.510  
27 to 61.705~~, and 78.510 to 78.852~~, unless the period of service is regained as

1 provided under KRS 61.552. Payments of taxable distributions made pursuant to  
2 this section shall be subject to state and federal tax as appropriate.

3 (3) A refund of contributions of members whose benefits have been terminated  
4 pursuant to KRS 6.696 shall be governed by that section.

5 (4) A refund of contributions to members whose benefits have been terminated  
6 pursuant to KRS 61.535(3) shall be governed by the provisions of that subsection.

7 ➔Section 95. KRS 61.630 is amended to read as follows:

8 (1) If a retired member who did not elect an optional retirement plan dies at any time on  
9 or after the first day of the month in which the member received or would have  
10 received his or her first retirement allowance but before receiving total retirement  
11 allowances provided in KRS 16.510 to 16.652 and KRS 61.515 to 61.705, ~~and~~  
12 ~~KRS 78.520 to 78.852~~ at least equal to his accumulated contributions as of the date  
13 of his retirement, the difference between the accumulated contributions and the total  
14 allowances shall be payable in a lump sum to the properly designated beneficiary. If  
15 a living person designated as the beneficiary predeceases the retired member, the  
16 estate shall become the beneficiary. If a spouse designated as the beneficiary is  
17 divorced from the retired member as of the member's death, the estate shall become  
18 the beneficiary.

19 (2) If a retired member who elected an optional retirement plan and his beneficiary both  
20 die at any time on or after the first day of the month in which the member received  
21 or would have received his or her first retirement allowance but before receiving  
22 total retirement allowances provided in KRS 16.510 to 16.652 and KRS 61.515  
23 to 61.705, ~~and KRS 78.520 to 78.852~~ at least equal to the retired member's  
24 accumulated contributions as of the date of his retirement, the difference between  
25 the accumulated contributions and the total allowances shall be payable in a lump  
26 sum to the estate of the last deceased, except that the retired member's estate shall  
27 receive the payment if the beneficiary was the spouse and they were divorced as of

1 the date of the member's death. If the retired member and beneficiary die  
2 simultaneously, the estate of the retired member shall become the beneficiary.

3 (3) If a beneficiary receiving a lifetime retirement allowance under KRS 16.578 or  
4 61.640 dies before receiving total retirement allowances provided in KRS 16.510 to  
5 16.652 and KRS 61.515 to 61.705, ~~and KRS 78.520 to 78.852~~ at least equal to  
6 the member's accumulated contributions as of the date of the member's death, the  
7 difference between the accumulated contributions and the total allowances shall be  
8 payable in a lump sum to the estate of the beneficiary.

9 (4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred  
10 twenty (120) months certain under KRS 16.576, 16.578, or 61.640, or a beneficiary  
11 receiving a retirement allowance under KRS 61.635(5), (6), or (7), dies before  
12 receiving all payments under the plan, the executor or administrator of his estate  
13 shall receive a lump sum payment which shall be the actuarial equivalent to the  
14 remaining payments.

15 (5) If the system is unable to verify a recipient's whereabouts or whether the recipient is  
16 living, the system shall suspend the recipient's retirement allowance. If the recipient  
17 is located, the system shall restore to the recipient all suspended retirement  
18 allowances.

19 ➔Section 96. KRS 61.637 is amended to read as follows:

20 (1) A retired member who is receiving monthly retirement payments under any of the  
21 provisions of KRS 61.510 to 61.705 ~~and 78.510 to 78.852~~ and who is reemployed  
22 as an employee by a participating agency prior to August 1, 1998, shall have his  
23 retirement payments suspended for the duration of reemployment. Monthly  
24 payments shall not be suspended for a retired member who is reemployed if he  
25 anticipates that he will receive less than the maximum permissible earnings as  
26 provided by the Federal Social Security Act in compensation as a result of  
27 reemployment during the calendar year. The payments shall be suspended at the

1 beginning of the month in which the reemployment occurs.

2 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to  
3 61.705~~[ and 78.510 to 78.852]~~ on the compensation paid during reemployment,  
4 except where monthly payments were not suspended as provided in subsection (1)  
5 of this section or would not increase the retired member's last monthly retirement  
6 allowance by at least one dollar (\$1), and the member shall be credited with  
7 additional service credit.

8 (3) In the month following the termination of reemployment, retirement allowance  
9 payments shall be reinstated under the plan under which the member was receiving  
10 payments prior to reemployment.

11 (4) (a) Notwithstanding the provisions of this section, the payments suspended in  
12 accordance with subsection (1) of this section shall be paid retroactively to the  
13 retired member, or his estate, if he does not receive more than the maximum  
14 permissible earnings as provided by the Federal Social Security Act in  
15 compensation from participating agencies during any calendar year of  
16 reemployment.

17 (b) If the retired member is paid suspended payments retroactively in accordance  
18 with this section, employee contributions deducted during his period of  
19 reemployment, if any, shall be refunded to the retired employee, and no  
20 service credit shall be earned for the period of reemployment.

21 (c) If the retired member is not eligible to be paid suspended payments for his  
22 period of reemployment as an employee, his retirement allowance shall be  
23 recomputed under the plan under which the member was receiving payments  
24 prior to reemployment as follows:

25 1. The retired member's final compensation shall be recomputed using  
26 creditable compensation for his period of reemployment; however, the  
27 final compensation resulting from the recalculation shall not be less than

- 1                   that of the member when his retirement allowance was last determined;
- 2                   2. If the retired member initially retired on or subsequent to his normal
- 3                   retirement date, his retirement allowance shall be recomputed by using
- 4                   the formula in KRS 61.595(1);
- 5                   3. If the retired member initially retired prior to his normal retirement date,
- 6                   his retirement allowance shall be recomputed using the formula in KRS
- 7                   61.595(2), except that the member's age used in computing benefits shall
- 8                   be his age at the time of his initial retirement increased by the number of
- 9                   months of service credit earned for service performed during
- 10                  reemployment;
- 11                  4. The retirement allowance payments resulting from the recomputation
- 12                  under this subsection shall be payable in the month following the
- 13                  termination of reemployment in lieu of payments under subparagraph 3.
- 14                  The member shall not receive less in benefits as a result of the
- 15                  recomputation than he was receiving prior to reemployment or would
- 16                  receive as determined under KRS 61.691; and
- 17                  5. Any retired member who was reemployed prior to March 26, 1974, shall
- 18                  begin making contributions to the system in accordance with the
- 19                  provisions of this section on the first day of the month following March
- 20                  26, 1974.
- 21 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of
- 22                  payments which are not suspended in accordance with subsection (1) of this section
- 23                  if the member received more than the maximum permissible earnings as provided
- 24                  by the Federal Social Security Act in compensation from participating agencies
- 25                  during any calendar year of reemployment, except the retired member or his estate
- 26                  may repay the lesser of the total amount of payments which were not suspended or
- 27                  fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings

1 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three  
2 dollars (\$3) earned if over age sixty-five (65).

3 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a  
4 retired member who has been ordered reinstated by the Personnel Board under  
5 authority of KRS 18A.095.

6 (b) A retired member who has been ordered reinstated by the Personnel Board  
7 under authority of KRS 18A.095 or by court order or by order of the Human  
8 Rights Commission and accepts employment by an agency participating in the  
9 Kentucky Employees Retirement System ~~or County Employees Retirement~~  
10 ~~System~~ shall void his retirement by reimbursing the system in the full amount  
11 of his retirement allowance payments received.

12 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this  
13 section shall no longer apply to a retired member who is reemployed in a  
14 position covered by the same retirement system from which the member  
15 retired. Reemployed retired members shall be treated as new members upon  
16 reemployment. Any retired member whose reemployment date preceded  
17 August 1, 1998, who does not elect, within sixty (60) days of notification by  
18 the retirement systems, to remain under the provisions of subsections (1) to  
19 (4) of this section shall be deemed to have elected to participate under this  
20 subsection.

21 (b) A retired member whose disability retirement was discontinued pursuant to  
22 KRS 61.615 and who is reemployed in one (1) of the systems administered by  
23 the Kentucky Retirement Systems prior to his or her normal retirement date  
24 shall have his or her accounts combined upon termination for determining  
25 eligibility for benefits. If the member is eligible for retirement, the member's  
26 service and creditable compensation earned as a result of his or her  
27 reemployment shall be used in the calculation of benefits, except that the



1 member's final compensation shall not be less than the final compensation last  
2 used in determining his or her retirement allowance. The member shall not  
3 change beneficiary or payment option designations. This provision shall apply  
4 to members reemployed on or after August 1, 1998.

5 (8) A retired member or his employer shall notify the retirement system if he has  
6 accepted employment or is serving as a volunteer with an employer that participates  
7 in the retirement system from which the member retired. The retired member and  
8 the participating employer shall submit the information required or requested by the  
9 systems to confirm the individual's employment or volunteer status.

10 (9) If the retired member is under a contract, the member shall submit a copy of that  
11 contract to the retirement system, and the retirement system shall determine if the  
12 member is an independent contractor for purposes of retirement benefits. The  
13 retired member and the participating employer shall submit the information required  
14 or requested by the systems to confirm the individual's employment or volunteer  
15 status.

16 (10) If a member is receiving a retirement allowance, or has filed the forms required for  
17 a retirement allowance, and is employed within one (1) month of the member's  
18 initial retirement date in a position that is required to participate in the same  
19 retirement system from which the member retired, the member's retirement shall be  
20 voided and the member shall repay to the retirement system all benefits received.  
21 The member shall contribute to the member account established for him prior to his  
22 voided retirement. The retirement allowance for which the member shall be eligible  
23 upon retirement shall be determined by total service and creditable compensation.

24 (11) ~~[(a)]~~ If a member of the Kentucky Employees Retirement System retires from a  
25 department which participates in more than one (1) retirement system and is  
26 reemployed within one (1) month of his initial retirement date by the same  
27 department in a position participating in another retirement system, the retired

1 member's retirement allowance shall be suspended for the first month of his  
2 retirement and the member shall repay to the retirement system all benefits  
3 received for the month.

4 ~~[(b) A retired member of the County Employees Retirement System who after  
5 initial retirement is hired by the county from which the member retired shall  
6 be considered to have been hired by the same employer.]~~

7 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a  
8 nonhazardous member who retired prior to age sixty-five (65), is reemployed  
9 within six (6) months of the member's termination by the same employer, the  
10 member shall obtain from his previous and current employers a copy of the  
11 job description established by the employers for the position and a statement  
12 of the duties performed by the member for the position from which he retired  
13 and for the position in which he has been reemployed.

14 (b) The job descriptions and statements of duties shall be filed with the retirement  
15 office.

16 (13) If the retirement system determines that the retired member has been employed in a  
17 position with the same principal duties as the position from which the member  
18 retired:

19 (a) The member's retirement allowance shall be suspended during the period that  
20 begins on the month in which the member is reemployed and ends six (6)  
21 months after the member's termination;

22 (b) The retired member shall repay to the retirement system all benefits paid from  
23 systems administered by Kentucky Retirement Systems under reciprocity,  
24 including medical insurance benefits, that the member received after  
25 reemployment began;

26 (c) Upon termination, or subsequent to expiration of the six (6) month period  
27 from the date of termination, the retired member's retirement allowance based

1 on his initial retirement account shall no longer be suspended and the member  
2 shall receive the amount to which he is entitled, including an increase as  
3 provided by KRS 61.691;

4 (d) Except as provided in subsection (7) of this section, if the position in which a  
5 retired member is employed after initial retirement is a regular full-time  
6 position, the retired member shall contribute to a second member account  
7 established for him in the retirement system. Service credit gained after the  
8 member's date of reemployment shall be credited to the second member  
9 account; and

10 (e) Upon termination, the retired member shall be entitled to benefits payable  
11 from his second retirement account.

12 (14) (a) If the retirement system determines that the retired member has not been  
13 reemployed in a position with the same principal duties as the position from  
14 which he retired, the retired member shall continue to receive his retirement  
15 allowance.

16 (b) If the position is a regular full-time position, the member shall contribute to a  
17 second member account in the retirement system.

18 (15) (a) If a retired member is reemployed at least one (1) month after initial  
19 retirement in a different position, or at least six (6) months after initial  
20 retirement in the same position, and prior to normal retirement age, the retired  
21 member shall contribute to a second member account in the retirement system  
22 and continue to receive a retirement allowance from the first member account.

23 (b) Service credit gained after reemployment shall be credited to the second  
24 member account. Upon termination, the retired member shall be entitled to  
25 benefits payable from the second member account.

26 (16) A retired member who is reemployed and contributing to a second member account  
27 shall not be eligible to purchase service credit under any of the provisions of KRS

1           16.505 to 16.652 or,] 61.510 to 61.705[, ~~or 78.510 to 78.852~~] which he was  
2           eligible to purchase prior to his initial retirement.

3       (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this  
4           section, the following shall apply to retired members who are reemployed by an  
5           agency participating in one (1) of the systems administered by Kentucky Retirement  
6           Systems on or after September 1, 2008:

7           (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is  
8           receiving a retirement allowance from one (1) of the systems administered by  
9           Kentucky Retirement Systems, or has filed the forms required to receive a  
10          retirement allowance from one (1) of the systems administered by Kentucky  
11          Retirement Systems, and is employed in a regular full-time position required  
12          to participate in one (1) of the systems administered by Kentucky Retirement  
13          Systems or is employed in a position that is not considered regular full-time  
14          with an agency participating in one (1) of the systems administered by  
15          Kentucky Retirement Systems within three (3) months following the member's  
16          initial retirement date, the member's retirement shall be voided, and the  
17          member shall repay to the retirement system all benefits received, including  
18          any health insurance benefits. If the member is returning to work in a regular  
19          full-time position required to participate in one (1) of the systems  
20          administered by Kentucky Retirement Systems:

- 21           1. The member shall contribute to a member account established for him or  
22           her in one (1) of the systems administered by Kentucky Retirement  
23           Systems, and employer contributions shall be paid on behalf of the  
24           member by the participating employer; and
- 25           2. Upon subsequent retirement, the member shall be eligible for a  
26           retirement allowance based upon total service and creditable  
27           compensation, including any additional service or creditable

1 compensation earned after his or her initial retirement was voided;

2 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is  
3 receiving a retirement allowance from one (1) of the systems administered by  
4 Kentucky Retirement Systems and is employed in a regular full-time position  
5 required to participate in one (1) of the systems administered by Kentucky  
6 Retirement Systems after a three (3) month period following the member's  
7 initial retirement date, the member may continue to receive his or her  
8 retirement allowance during the period of reemployment subject to the  
9 following provisions:

10 1. Both the employee and participating agency shall certify in writing on a  
11 form prescribed by the board that no prearranged agreement existed  
12 between the employee and agency prior to the employee's retirement for  
13 the employee to return to work with the participating agency. If an  
14 elected official is reelected to a new term of office in the same position  
15 and retires following the election but prior to taking the new term of  
16 office, he or she shall be deemed by the system as having a prearranged  
17 agreement under the provisions of this subparagraph and shall have his  
18 or her retirement voided. If the participating agency or employer fail to  
19 complete the certification, the member's retirement shall be voided and  
20 the provisions of paragraph (a) of this subsection shall apply to the  
21 member and the employer;

22 2. Notwithstanding any other provision of KRS Chapter 16 ~~or~~ 61 ~~or~~  
23 ~~78~~ to the contrary, the member shall not contribute to the systems and  
24 shall not earn any additional benefits for any work performed during the  
25 period of reemployment;

26 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer  
27 shall pay employer contributions as specified by KRS 61.565 and 61.702

1 on all creditable compensation earned by the employee during the period  
2 of reemployment. The additional contributions paid shall be used to  
3 reduce the unfunded actuarial liability of the systems; and

4 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer  
5 shall be required to reimburse the systems for the cost of the health  
6 insurance premium paid by the systems to provide coverage for the  
7 retiree, not to exceed the cost of the single premium~~[- Effective July 1,~~  
8 ~~2015, local school boards shall not be required to pay the reimbursement~~  
9 ~~required by this subparagraph for retirees employed by the board for~~  
10 ~~eighty (80) days or less during the fiscal year];~~

11 (c) If a member is receiving a retirement allowance from the State Police  
12 Retirement System or from hazardous duty retirement coverage with the  
13 Kentucky Employees Retirement System~~[- or the County Employees~~  
14 ~~Retirement System]~~, or has filed the forms required to receive a retirement  
15 allowance from the State Police Retirement System or from hazardous duty  
16 retirement coverage with the Kentucky Employees Retirement System~~[- or the~~  
17 ~~County Employees Retirement System]~~, and is employed in a regular full-time  
18 position required to participate in the State Police Retirement System or in a  
19 hazardous duty position with the Kentucky Employees Retirement System~~[- or~~  
20 ~~the County Employees Retirement System]~~ within one (1) month following  
21 the member's initial retirement date, the member's retirement shall be voided,  
22 and the member shall repay to the retirement system all benefits received,  
23 including any health insurance benefits. If the member is returning to work in  
24 a regular full-time position required to participate in one (1) of the systems  
25 administered by Kentucky Retirement Systems:

26 1. The member shall contribute to a member account established for him or  
27 her in one (1) of the systems administered by Kentucky Retirement

1           Systems, and employer contributions shall be paid on behalf of the  
2           member by the participating employer; and

3           2. Upon subsequent retirement, the member shall be eligible for a  
4           retirement allowance based upon total service and creditable  
5           compensation, including any additional service or creditable  
6           compensation earned after his or her initial retirement was voided;

7           (d) If a member is receiving a retirement allowance from the State Police  
8           Retirement System or from hazardous duty retirement coverage with the  
9           Kentucky Employees Retirement System~~[or the County Employees~~  
10           ~~Retirement System]~~ and is employed in a regular full-time position required to  
11           participate in the State Police Retirement System or in a hazardous duty  
12           position with the Kentucky Employees Retirement System~~[or the County~~  
13           ~~Employees Retirement System]~~ after a one (1) month period following the  
14           member's initial retirement date, the member may continue to receive his or  
15           her retirement allowance during the period of reemployment subject to the  
16           following provisions:

17           1. Both the employee and participating agency shall certify in writing on a  
18           form prescribed by the board that no prearranged agreement existed  
19           between the employee and agency prior to the employee's retirement for  
20           the employee to return to work with the participating agency. If an  
21           elected official is reelected to a new term of office in the same position  
22           and retires following the election but prior to taking the new term of  
23           office, he or she shall be deemed by the system as having a prearranged  
24           agreement under the provisions of this subparagraph and shall have his  
25           or her retirement voided. If the participating agency or employer fail to  
26           complete the certification, the member's retirement shall be voided and  
27           the provisions of paragraph (c) of this subsection shall apply to the

- 1 member and the employer;
- 2 2. Notwithstanding any other provision of KRS Chapter 16, or 61~~[, or 78]~~
- 3 to the contrary, the member shall not contribute to the systems and shall
- 4 not earn any additional benefits for any work performed during the
- 5 period of reemployment;
- 6 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
- 7 shall pay employer contributions as specified by KRS 61.565 and 61.702
- 8 on all creditable compensation earned by the employee during the period
- 9 of reemployment. The additional contributions paid shall be used to
- 10 reduce the unfunded actuarial liability of the systems; and
- 11 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
- 12 shall be required to reimburse the systems for the cost of the health
- 13 insurance premium paid by the systems to provide coverage for the
- 14 retiree, not to exceed the cost of the single premium;
- 15 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
- 16 who qualifies as a volunteer for an employer participating in one (1) of the
- 17 systems administered by Kentucky Retirement Systems and who is receiving
- 18 reimbursement of actual expenses, a nominal fee for his or her volunteer
- 19 services, or both, shall not be considered an employee of the participating
- 20 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
- 21 1. Prior to the retired member's most recent retirement date, he or she did
- 22 not receive creditable compensation from the participating employer in
- 23 which the retired member is performing volunteer services;
- 24 2. Any reimbursement or nominal fee received prior to the retired
- 25 member's most recent retirement date has not been credited as creditable
- 26 compensation to the member's account or utilized in the calculation of
- 27 the retired member's benefits;



- 1           3. The retired member has not purchased or received service credit under  
 2           any of the provisions of KRS 61.510 to 61.705~~[or 78.510 to 78.852]~~ for  
 3           service with the participating employer for which the retired member is  
 4           performing volunteer services; and
- 5           4. Other than the status of volunteer, the retired member does not become  
 6           an employee, leased employee, or independent contractor of the  
 7           employer for which he or she is performing volunteer services for a  
 8           period of at least twenty-four (24) months following the retired  
 9           member's most recent retirement date.

10           If a retired member, who provided volunteer services with a participating  
 11           employer under this paragraph violates any provision of this paragraph, then  
 12           he or she shall be deemed an employee of the participating employer as of the  
 13           date he or she began providing volunteer services and both the retired member  
 14           and the participating employer shall be subject to paragraphs (a) to (d) of this  
 15           subsection for the period of volunteer service;~~and~~

16           (f) Notwithstanding any provision of this section, any mayor or member of a city  
 17           legislative body who has not participated in the County Employees Retirement  
 18           System prior to retirement, but who is otherwise eligible to retire from the  
 19           Kentucky Employees Retirement System or the State Police Retirement  
 20           System, shall not be:

- 21           1. Required to resign from his or her position as mayor or as a member of  
 22           the city legislative body in order to begin drawing benefits from the  
 23           Kentucky Employees Retirement System or the State Police Retirement  
 24           System; or
- 25           2. Subject to any provision of this section as it relates solely to his or her  
 26           service as a mayor or member of the city legislative body; ***and***

27           **(g) Retired members of the County Employees Retirement System who are**

1 reemployed on or after September 1, 2008, by an employer participating in  
 2 one (1) of the systems administered by Kentucky Retirement Systems shall  
 3 not be eligible to earn a second retirement account in one (1) of the systems  
 4 administered by Kentucky Retirement Systems for his or her service to the  
 5 employer.

6 ➔ Section 97. KRS 61.645 is amended to read as follows:

7 (1) The ~~{County Employees Retirement System, }~~Kentucky Employees Retirement  
 8 System~~},~~ and State Police Retirement System shall be administered by the board of  
 9 trustees of the Kentucky Retirement Systems composed of eleven (11)~~{seventeen~~  
 10 ~~(17)}~~ members, who shall be selected as follows:

11 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he  
 12 occupies the position of secretary under KRS 18A.015, except as provided  
 13 under subsections (5) and (6) of this section;

14 (b) ~~{Three (3) trustees, who shall be members or retired from the County~~  
 15 ~~Employees Retirement System, elected by the members and retired members~~  
 16 ~~of the County Employees Retirement System;~~

17 ~~(c)}~~ One (1) trustee, who shall be a member or retired from the State Police  
 18 Retirement System, elected by the members and retired members of the State  
 19 Police Retirement System;

20 ~~(c)}~~~~{(d)}~~ Two (2) trustees, who shall be members or retired from the Kentucky  
 21 Employees Retirement System, elected by the members and retired members  
 22 of the Kentucky Employees Retirement System; and

23 ~~(d)}~~~~{(e)}~~ Seven (7)~~{Ten (10)}~~ trustees, appointed by the Governor of the  
 24 Commonwealth, subject to Senate confirmation in accordance with KRS  
 25 11.160 for each appointment or reappointment. Of the seven (7)~~ten (10)}~~  
 26 trustees appointed by the Governor:

27 1. One (1) trustee shall be knowledgeable about the impact of pension

- 1 requirements on local governments; and
- 2 2. ~~{One (1) trustee shall be appointed from a list of three (3) applicants~~  
3 ~~submitted by the Kentucky League of Cities;~~
- 4 ~~3—One (1) trustee shall be appointed from a list of three (3) applicants~~  
5 ~~submitted by the Kentucky Association of Counties;~~
- 6 ~~4.—One (1) trustee shall be appointed from a list of three (3) applicants~~  
7 ~~submitted by the Kentucky School Boards Association; and~~
- 8 ~~5.—}~~Six (6) trustees shall have investment experience. For purposes of this  
9 subparagraph, a trustee with "investment experience" means an  
10 individual who does not have a conflict of interest, as provided by KRS  
11 61.655, and who has at least ten (10) years of experience in one (1) of  
12 the following areas of expertise:
- 13 a. A portfolio manager acting in a fiduciary capacity;
- 14 b. A professional securities analyst or investment consultant;
- 15 c. A current or retired employee or principal of a trust institution,  
16 investment or finance organization, or endowment fund acting in  
17 an investment-related capacity;
- 18 d. A chartered financial analyst in good standing as determined by the  
19 CFA Institute; or
- 20 e. A university professor, teaching investment-related studies.
- 21 (2) The board is hereby granted the powers and privileges of a corporation, including  
22 but not limited to the following powers:
- 23 (a) To sue and be sued in its corporate name;
- 24 (b) To make bylaws not inconsistent with the law;
- 25 (c) To conduct the business and promote the purposes for which it was formed;
- 26 (d) Except as provided in KRS 61.650(6), To contract for investment counseling,  
27 actuarial, auditing, medical, and other professional or technical services as

- 1 required to carry out the obligations of the board subject to KRS Chapters 45,  
2 45A, 56, and 57;
- 3 (e) To purchase fiduciary liability insurance;
- 4 (f) Except as provided in KRS 61.650(6), To acquire, hold, sell, dispose of,  
5 pledge, lease, or mortgage, the goods or property necessary to exercise the  
6 board's powers and perform the board's duties subject to KRS Chapters 45,  
7 45A, and 56; and
- 8 (g) The board shall reimburse any trustee, officer, or employee for any legal  
9 expense resulting from a civil action arising out of the performance of his  
10 official duties. The hourly rate of reimbursement for any contract for legal  
11 services under this paragraph shall not exceed the maximum hourly rate  
12 provided in the Legal Services duties and Maximum Rate Schedule  
13 promulgated by the Government Contract Review Committee established  
14 pursuant to KRS 45A.705, unless a higher rate is specifically approved by the  
15 secretary of the Finance and Administration Cabinet or his or her designee.
- 16 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee  
17 shall serve a term of four (4) years or until his successor is duly qualified  
18 except as otherwise provided in this section. An elected trustee or a trustee  
19 appointed by the Governor under subsection ~~(1)(d)(1)(e)~~ of this section,  
20 shall not serve more than three (3) consecutive four (4) year terms. An elected  
21 trustee or a trustee appointed by the Governor under subsection ~~(1)(d)(1)(e)~~  
22 of this section, who has served three (3) consecutive terms may be elected or  
23 appointed again after an absence of four (4) years from the board.
- 24 (b) The term limits established by paragraph (a) of this subsection shall apply to  
25 trustees serving on or after July 1, 2012, and all terms of office served prior to  
26 July 1, 2012, shall be used to determine if the trustee has exceeded the term  
27 limits provided by paragraph (a) of this subsection.

- 1 (4) (a) The trustees selected by the membership of each of the ~~various~~ retirement  
2 systems shall be elected by ballot. For each trustee to be elected, the board  
3 may nominate, not less than six (6) months before a term of office of a trustee  
4 is due to expire, three (3) constitutionally eligible individuals.
- 5 (b) Individuals may be nominated by the retirement system members which are to  
6 elect the trustee by presenting to the executive director, not less than four (4)  
7 months before a term of office of a trustee is due to expire, a petition, bearing  
8 the name, last four digits of the Social Security number, and signature of no  
9 less than one-tenth (1/10) of the number voting in the last election by the  
10 retirement system members.
- 11 (c) Within four (4) months of the nominations made in accordance with  
12 paragraphs (a) and (b) of this subsection, the executive director shall cause to  
13 be prepared an official ballot. The ballot shall carry the name, address, and  
14 position title of each individual nominated by the board and by petition.  
15 Provisions shall also be made for write-in votes.
- 16 (d) The ballots shall be distributed to the eligible voters by mail to their last  
17 known residence address.
- 18 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of  
19 a predetermined box number at a United States Post Office located within  
20 Kentucky. Access to this post office box shall be limited to the board's  
21 contracted auditing firm. The individual receiving a plurality of votes shall be  
22 declared elected.
- 23 (f) The eligible voter shall cast his ballot by checking a square opposite the name  
24 of the candidate of his choice. He shall sign and mail the ballot at least thirty  
25 (30) days prior to the date the term to be filled is due to expire. The latest  
26 mailing date shall be printed on the ballot.
- 27 (g) The board's contracted auditing firm shall report in writing the outcome to the

1 chair of the board of trustees. Cost of an election shall be payable from the  
2 funds of the system for which the trustee is elected.

3 (h) For purposes of this subsection, an eligible voter shall be a person who was a  
4 member of the retirement system on December 31 of the year preceding the  
5 election year.

6 (i) Each individual who submits a request to be nominated by the board under  
7 paragraph (a) of this subsection and each individual who is nominated by the  
8 membership under paragraph (b) of this subsection shall:

9 1. Complete an application developed by the retirement systems which  
10 shall include but not be limited to a disclosure of any prior felonies and  
11 any conflicts of interest that would hinder the individual's ability to  
12 serve on the board;

13 2. Submit a resume detailing the individual's education and employment  
14 history and a cover letter detailing the member's qualifications for  
15 serving as trustee to the board; and

16 3. Authorize the systems to have a criminal background check performed.  
17 The criminal background check shall be performed by the Department of  
18 Kentucky State Police.

19 (5) Any vacancy which may occur in an appointed position shall be filled in the same  
20 manner which provides for the selection of the particular trustee, and any vacancy  
21 which may occur in an elected position shall be filled by appointment by a majority  
22 vote of the remaining elected trustees with a person selected from the system in  
23 which the vacancy occurs, and if the secretary of the Personnel Cabinet resigns his  
24 position as trustee, it shall be filled by appointment made by the Governor;  
25 however, any vacancy shall be filled only for the duration of the unexpired term. In  
26 the event of a vacancy of an elected trustee, Kentucky Retirement Systems shall  
27 notify members of the system in which the vacancy occurs of the vacancy and the

1 opportunity to be considered for the vacant position. Any vacancy shall be filled  
2 within ninety (90) days of the position becoming vacant.

3 (6) (a) Membership on the board of trustees shall not be incompatible with any other  
4 office unless a constitutional incompatibility exists. No trustee shall serve in  
5 more than one (1) position as trustee on the board; and if a trustee holds more  
6 than one (1) position as trustee on the board, he shall resign a position.

7 (b) A trustee shall be removed from office upon conviction of a felony or for a  
8 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court  
9 of competent jurisdiction.

10 (c) A current or former employee of Kentucky Retirement Systems shall not be  
11 eligible to serve as a member of the board.

12 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive  
13 a per diem of eighty dollars (\$80) for each day they are in session or on official  
14 duty, and they shall be reimbursed for their actual and necessary expenses in  
15 accordance with state administrative regulations and standards.

16 (8) (a) The board shall meet at least once in each quarter of the year and may meet in  
17 special session upon the call of the chair or the executive director.

18 (b) The board shall elect a chair and a vice chair. The chair shall not serve more  
19 than four (4) consecutive years as chair or vice-chair of the board. The vice-  
20 chair shall not serve more than four (4) consecutive years as chair or vice-  
21 chair of the board. A trustee who has served four (4) consecutive years as  
22 chair or vice-chair of the board may be elected chair or vice-chair of the board  
23 after an absence of two (2) years from the positions.

24 (c) A majority of the trustees shall constitute a quorum and all actions taken by  
25 the board shall be by affirmative vote of a majority of the trustees present.

26 (9) (a) The board of trustees shall appoint or contract for the services of an executive  
27 director and fix the compensation and other terms of employment for this

1 position without limitation of the provisions of KRS Chapters 18A and KRS  
2 64.640. The executive director shall be the chief administrative officer of the  
3 board.

4 (b) The board of trustees shall authorize the executive director to appoint the  
5 employees deemed necessary to transact the business of the system. All  
6 employees of the systems, except for the executive director, shall be subject to  
7 the state personnel system established pursuant to KRS 18A.005 to 18A.204  
8 and shall have their salaries determined by the secretary of the Personnel  
9 Cabinet.

10 (c) The board shall require the executive director and the employees as it thinks  
11 proper to execute bonds for the faithful performance of their duties  
12 notwithstanding the limitations of KRS Chapter 62.

13 (d) The board shall establish a system of accounting.

14 (e) The board shall do all things, take all actions, and promulgate all  
15 administrative regulations, not inconsistent with the provisions of KRS 16.505  
16 to 16.652 and 61.510 to 61.705~~[, and 78.510 to 78.852]~~, necessary or  
17 proper in order to carry out the provisions of KRS 16.505 to 16.652 and  
18 61.510 to 61.705~~[, and 78.510 to 78.852]~~. Notwithstanding any other evidence  
19 of legislative intent, it is hereby declared to be the controlling legislative intent  
20 that the provisions of KRS 16.505 to 16.652 and 61.510 to 61.705~~[, and~~  
21 ~~78.510 to 78.852]~~ conform with federal statute or regulation and meet the  
22 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal  
23 regulations, and other published guidance. Provisions of KRS 16.505 to  
24 16.652 and 61.510 to 61.705~~[, and 78.510 to 78.852]~~ which conflict with  
25 federal statute or regulation or qualification under 26 U.S.C. sec. 401(a),  
26 applicable federal regulations, and other published guidance shall not be  
27 available. The board shall have the authority to promulgate administrative



1 regulations to conform with federal statute and regulation and to meet the  
2 qualification requirements under 26 U.S.C. sec. 401(a), including an  
3 administrative regulation to comply with 26 U.S.C. sec. 401(a)(9). The board  
4 shall have the authority to promulgate an administrative regulation to comply  
5 with any consent decrees entered into by the board in Civil Action No.  
6 3:99CV500(C) in order to bring the systems into compliance with the Age  
7 Discrimination in Employment Act, 29 U.S.C. Section 621, et seq., as  
8 amended.

9 (10) Notwithstanding any statute to the contrary, employees shall not be considered  
10 legislative agents under KRS 6.611.

11 (11) The Attorney General, or an assistant designated by him, may attend each meeting  
12 of the board and may receive the agenda, board minutes, and other information  
13 distributed to trustees of the board upon request. The Attorney General may act as  
14 legal adviser and attorney for the board, and the board may contract for legal  
15 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

16 (12) (a) The system shall publish an annual financial report showing all receipts,  
17 disbursements, assets, and liabilities. The annual report shall include a copy of  
18 an audit conducted in accordance with generally accepted auditing standards.  
19 Except as provided by paragraph (b) of this subsection, the board may select  
20 an independent certified public accountant or the Auditor of Public Accounts  
21 to perform the audit. If the audit is performed by an independent certified  
22 public accountant, the Auditor of Public Accounts shall not be required to  
23 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at  
24 his discretion. All proceedings and records of the board shall be open for  
25 inspection by the public. The system shall make copies of the audit required  
26 by this subsection available for examination by any member, retiree, or  
27 beneficiary in the office of the executive director of the Kentucky Retirement

1 Systems and in other places as necessary to make the audit available to all  
2 members, retirees, and beneficiaries. A copy of the annual audit shall be sent  
3 to the Legislative Research Commission no later than ten (10) days after  
4 receipt by the board.

5 (b) At least once every five (5) years, the Auditor of Public Accounts shall  
6 perform the audit described by this subsection, and the system shall reimburse  
7 the Auditor of Public Accounts for all costs of the audit. The Auditor of  
8 Public Accounts shall determine which fiscal year during the five (5) year  
9 period the audit prescribed by this paragraph will be completed.

10 (13) All expenses incurred by or on behalf of the system and the board in the  
11 administration of the system during a fiscal year shall be paid from the retirement  
12 allowance account. Any other statute to the contrary notwithstanding, authorization  
13 for all expenditures relating to the administrative operations of the system shall be  
14 contained in the biennial budget unit request, branch budget recommendation, and  
15 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

16 (14) Any person adversely affected by a decision of the board, except as provided under  
17 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652  
18 and 61.510 to 61.705~~, and 78.510 to 78.852~~, may appeal the decision of the  
19 board to the Franklin Circuit Court within sixty (60) days of the board action.

20 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a  
21 member of a committee:

- 22 1. In good faith;
- 23 2. On an informed basis; and
- 24 3. In a manner he honestly believes to be in the best interest of the  
25 Kentucky Retirement Systems.

26 (b) A trustee discharges his duties on an informed basis if, when he makes an  
27 inquiry into the business and affairs of the Kentucky Retirement Systems or

1 into a particular action to be taken or decision to be made, he exercises the  
2 care an ordinary prudent person in a like position would exercise under similar  
3 circumstances.

4 (c) In discharging his duties, a trustee may rely on information, opinions, reports,  
5 or statements, including financial statements and other financial data, if  
6 prepared or presented by:

- 7 1. One (1) or more officers or employees of the Kentucky Retirement  
8 Systems whom the trustee honestly believes to be reliable and competent  
9 in the matters presented;
- 10 2. Legal counsel, public accountants, actuaries, or other persons as to  
11 matters the trustee honestly believes are within the person's professional  
12 or expert competence; or
- 13 3. A committee of the board of trustees of which he is not a member if the  
14 trustee honestly believes the committee merits confidence.

15 (d) A trustee shall not be considered as acting in good faith if he has knowledge  
16 concerning the matter in question that makes reliance otherwise permitted by  
17 paragraph (c) of this subsection unwarranted.

18 (e) Any action taken as a trustee, or any failure to take any action as a trustee,  
19 shall not be the basis for monetary damages or injunctive relief unless:

- 20 1. The trustee has breached or failed to perform the duties of the trustee's  
21 office in compliance with this section; and
- 22 2. In the case of an action for monetary damages, the breach or failure to  
23 perform constitutes willful misconduct or wanton or reckless disregard  
24 for human rights, safety, or property.

25 (f) A person bringing an action for monetary damages under this section shall  
26 have the burden of proving by clear and convincing evidence the provisions of  
27 paragraph (e)1. and 2. of this subsection, and the burden of proving that the

1 breach or failure to perform was the legal cause of damages suffered by the  
2 Kentucky Retirement Systems.

3 (g) Nothing in this section shall eliminate or limit the liability of any trustee for  
4 any act or omission occurring prior to July 15, 1988.

5 (h) In discharging his or her administrative duties under this section, a trustee  
6 shall strive to administer the retirement system in an efficient and cost-  
7 effective manner for the taxpayers of the Commonwealth of Kentucky.

8 (16) When an order by the system substantially impairs the benefits or rights of a  
9 member, retired member, or recipient, except action which relates to entitlement to  
10 disability benefits, or when an employer disagrees with an order of the system as  
11 provided by KRS 61.598, the affected member, retired member, recipient, or  
12 employer may request a hearing to be held in accordance with KRS Chapter 13B.  
13 The board may establish an appeals committee whose members shall be appointed  
14 by the chair and who shall have authority to act upon the recommendations and  
15 reports of the hearing officer on behalf of the board. The member, retired member,  
16 recipient, or employer aggrieved by a final order of the board following the hearing  
17 may appeal the decision to the Franklin Circuit Court, in accordance with KRS  
18 Chapter 13B.

19 (17) The board shall give the Kentucky Education Support Personnel Association  
20 twenty-four (24) hours notice of the board meetings, to the extent possible.

21 (18) The board shall establish a formal trustee education program for all trustees of the  
22 board. The program shall include but not be limited to the following:

23 (a) A required orientation program for all new trustees elected or appointed to the  
24 board. The orientation program shall include training on:

- 25 1. Benefits and benefits administration;
- 26 2. Investment concepts, policies, and current composition and  
27 administration of retirement systems investments;

1           3.   Laws, bylaws, and administrative regulations pertaining to the  
2                 retirement systems and to fiduciaries; and

3           4.   Actuarial and financial concepts pertaining to the retirement systems.

4           If a trustee fails to complete the orientation program within one (1) year from  
5                 the beginning of his or her first term on the board, the retirement systems shall  
6                 withhold payment of the per diem and travel expenses due to the board  
7                 member under this section and KRS 16.640 ~~and 78.780~~ until the trustee has  
8                 completed the orientation program;

9           (b)   Annual required training for board members on the administration, benefits,  
10                 financing, and investing of the retirement systems. If a trustee fails to  
11                 complete the annual required training during the calendar or fiscal year, the  
12                 retirement systems shall withhold payment of the per diem and travel  
13                 expenses due to the board member under this section and KRS 16.640 and  
14                 78.780 until the board member has met the annual training requirements; and

15           (c)   The retirement systems shall incorporate by reference in an administrative  
16                 regulation, pursuant to KRS 13A.2251, the trustee education program.

17       (19) In order to improve public transparency regarding the administration of the systems,  
18                 the board of trustees shall adopt a best practices model by posting the following  
19                 information to the retirement systems' Web site and shall make available to the  
20                 public:

21           (a)   Meeting notices and agendas for all meetings of the board. Notices and  
22                 agendas shall be posted to the retirement systems' Web site at least seventy-  
23                 two (72) hours in advance of the board or committee meetings, except in the  
24                 case of special or emergency meetings as provided by KRS 61.823;

25           (b)   The Comprehensive Annual Financial Report with the information as follows:  
26                 1.   A general overview and update on the retirement systems by the  
27                 executive director;

- 1           2.    A listing of the board of trustees;
- 2           3.    A listing of key staff;
- 3           4.    An organizational chart;
- 4           5.    Financial information, including a statement of plan net assets, a
- 5                 statement of changes in plan net assets, an actuarial value of assets, a
- 6                 schedule of investments, a statement of funded status and funding
- 7                 progress, and other supporting data;
- 8           6.    Investment information, including a general overview, a list of the
- 9                 retirement system's professional consultants, a total net of fees return on
- 10                retirement systems investments over a historical period, an investment
- 11                summary, contracted investment management expenses, transaction
- 12                commissions, and a schedule of investments;
- 13           7.    The annual actuarial valuation report on the pension benefit and the
- 14                medical insurance benefit; and
- 15           8.    A general statistical section, including information on contributions,
- 16                benefit payouts, and retirement systems' demographic data;
- 17   (c)   All external audits;
- 18   (d)   All board minutes or other materials that require adoption or ratification by
- 19           the board of trustees. The items listed in this paragraph shall be posted within
- 20           seventy-two (72) hours of adoption or ratification of the board;
- 21   (e)   All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 22   (f)   The retirement systems' summary plan description;
- 23   (g)   A document containing an unofficial copy of the statutes governing the
- 24           systems administered by Kentucky Retirement Systems;
- 25   (h)   A listing of the members of the board of trustees and membership on each
- 26           committee established by the board, including any investment committees;
- 27   (i)   All investment holdings in aggregate, fees, and commissions for each fund

1 administered by the board, which shall be updated on a quarterly basis for  
2 fiscal years beginning on or after July 1, 2017. The systems shall request from  
3 all managers, partnerships, and any other available sources all information  
4 regarding fees and commissions and shall, based on the requested information  
5 received:

- 6 1. Disclose the dollar value of fees and commissions paid to each  
7 individual manager or partnership;
- 8 2. Disclose the dollar value of any profit sharing, carried interest, or any  
9 other partnership incentive arrangements, partnership agreements, or any  
10 other partnership expenses received by or paid to each manager or  
11 partnership; and
- 12 3. As applicable, report each fee or commission by manager or partnership  
13 consistent with standards established by the Institutional Limited  
14 Partners Association (ILPA).

15 In addition to the requirements of this paragraph, the systems shall also  
16 disclose the name and address of all individual underlying managers or  
17 partners in any fund of funds in which system assets are invested;

18 (j) An update of net of fees investment returns, asset allocations, and the  
19 performance of the funds against benchmarks adopted by the board for each  
20 fund, for each asset class administered by the board, and for each manager.  
21 The update shall be posted on a quarterly basis for fiscal years beginning on or  
22 after July 1, 2017;

23 (k) A searchable database of the systems' expenditures and a listing of each  
24 individual employed by the systems along with the employee's salary or  
25 wages. In lieu of posting the information required by this paragraph to the  
26 systems' Web site, the systems may provide the information through a Web  
27 site established by the executive branch to inform the public about executive

- 1 branch agency expenditures and public employee salaries and wages;
- 2 (l) All contracts or offering documents for services, goods, or property purchased
- 3 or utilized by the systems; and
- 4 (m) Information regarding the systems' financial and actuarial condition that is
- 5 easily understood by the members, retired members, and the public.
- 6 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
- 7 systems shall not be required to furnish information that is protected under KRS
- 8 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
- 9 retirement systems' ability to competitively invest in real estate or other asset
- 10 classes, except that no provision of this section or KRS 61.878 shall exclude
- 11 disclosure and review of all contracts, including investment contracts, by the board,
- 12 the Auditor of Public Accounts, and the Government Contract Review Committee
- 13 established pursuant to KRS 45A.705 or the disclosure of investment fees and
- 14 commissions as provided by this section. If any public record contains material
- 15 which is not excepted under this section, the systems shall separate the excepted
- 16 material by removal, segregation, or redaction, and make the nonexcepted material
- 17 available for examination.
- 18 (21) Notwithstanding any other provision of KRS 16.505 to 16.652 and ~~61.510 to~~
- 19 ~~61.705, [and 78.510 to 78.852]~~ to the contrary, no funds of the systems
- 20 administered by Kentucky Retirement Systems, including fees and commissions
- 21 paid to an investment manager, private fund, or company issuing securities, who
- 22 manages systems assets, shall be used to pay fees and commissions to placement
- 23 agents. For purposes of this subsection, "placement agent" means a third-party
- 24 individual, who is not an employee, or firm, wholly or partially owned by the entity
- 25 being hired, who solicits investments on behalf of an investment manager, private
- 26 fund, or company issuing securities.
- 27 ➔Section 98. KRS 61.650 is amended to read as follows:



- 1 (1) (a) The board shall be the trustee of the several funds created by KRS 16.510,  
2 61.515, **and** 61.701, [~~and 78.520,~~] notwithstanding the provisions of any other  
3 statute to the contrary, and shall have exclusive power to invest and reinvest  
4 such funds in accordance with federal law.
- 5 (b) 1. The board shall establish an investment committee whose membership  
6 shall be composed of the following:
- 7 a. **At least three (3)** [~~The six (6)~~] trustees appointed by the Governor  
8 pursuant to **subsection (1)(d)2. of Section 97 of this Act** [~~KRS~~  
9 ~~61.645(1)(e)5.~~]; and
- 10 b. **Additional** [~~Three (3)~~] trustees appointed by the board chair.
- 11 2. The investment committee shall have authority to implement the  
12 investment policies adopted by the board and act on behalf of the board  
13 on all investment-related matters and to acquire, sell, safeguard,  
14 monitor, and manage the assets and securities of the several funds.
- 15 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with  
16 respect to the retirement system:
- 17 1. Solely in the interest of the members and beneficiaries;
- 18 2. For the exclusive purpose of providing benefits to members and  
19 beneficiaries and paying reasonable expenses of administering the  
20 system;
- 21 3. With the care, skill, and caution under the circumstances then prevailing  
22 that a prudent person acting in a like capacity and familiar with those  
23 matters would use in the conduct of an activity of like character and  
24 purpose;
- 25 4. Impartially, taking into account any differing interests of members and  
26 beneficiaries;
- 27 5. Incurring any costs that are appropriate and reasonable; and

1           6. In accordance with a good-faith interpretation of the law governing the  
2           retirement system.

3           (d) In addition to the standards of conduct prescribed by paragraph (c) of this  
4           subsection, all individuals associated with the investment and management of  
5           retirement system assets, whether contracted investment advisors, board  
6           members, or staff employees, shall adhere to the Code of Ethics and Standards  
7           of Professional Conduct, the Asset Manager Code of Professional Conduct if  
8           the individual is managing retirement system assets, and the Code of Conduct  
9           for Members of a Pension Scheme Governing Body if the individual is a board  
10          member. All codes cited in this paragraph are promulgated by the CFA  
11          Institute.

12       (2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered  
13       in the name "Kentucky Retirement Systems" or nominee name as provided by KRS  
14       286.3-225 and every change in registration, by reason of sale or assignment of such  
15       securities, shall be accomplished pursuant to written policies adopted by the board.

16       (3) The board, in keeping with its responsibility as trustee and wherever consistent with  
17       its fiduciary responsibilities, shall give priority to the investment of funds in  
18       obligation calculated to improve the industrial development and enhance the  
19       economic welfare of the Commonwealth.

20       (4) The contents of real estate appraisals, engineering or feasibility estimates, and  
21       evaluations made by or for the system relative to the acquisition or disposition of  
22       property, until such time as all of the property has been acquired or sold, shall be  
23       excluded from the application of KRS 61.870 to 61.884 and shall be subject to  
24       inspection only upon order of a court of competent jurisdiction.

25       (5) Based upon market value at the time of purchase, the board shall limit the amount  
26       of assets managed by any one (1) active or passive investment manager to fifteen  
27       percent (15%) of the assets in the pension and insurance funds.

- 1 (6) All contracts for the investment or management of assets of the systems shall not be  
2 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the  
3 following process to develop and adopt an investment procurement policy with  
4 which all prospective contracts for the investment or management of assets of the  
5 systems shall comply:
- 6 (a) On or before July 1, 2017, the board shall consult with the secretary of the  
7 Finance and Administration Cabinet or his or her designee to develop an  
8 investment procurement policy, which shall be written to meet best practices  
9 in investment management procurement;
- 10 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary  
11 investment procurement policy to the secretary of the Finance and  
12 Administration Cabinet or his or her designee for review and comment;
- 13 (c) Upon receipt of comments from the secretary of the Finance and  
14 Administration Cabinet or his or her designee, the board shall choose to adopt  
15 or not adopt any recommended changes;
- 16 (d) Upon adoption, the board shall tender the final investment procurement policy  
17 to the secretary of the Finance and Administration Cabinet or his or her  
18 designee;
- 19 (e) No later than thirty (30) days after receipt of the investment procurement  
20 policy, the secretary or his or her designee shall certify whether the board's  
21 investment procurement policy meets or does not meet best practices for  
22 investment management procurement; and
- 23 (f) Any amendments to the investment procurement policy shall adhere to the  
24 requirements set forth by paragraphs (b) to (e) of this subsection.

25 ➔Section 99. KRS 61.652 is amended to read as follows:

- 26 (1) The Kentucky Employees Excess Benefit Plan established in KRS 61.663~~[, the~~  
27 ~~County Employees Excess Benefit Plan established in KRS 78.652,]~~ and the State

1 Police Excess Benefit Plan established in KRS 16.568 shall be administered by the  
2 board of trustees of the Kentucky Retirement Systems. The board shall have the  
3 same authority in its administration as it has in the administration of the Kentucky  
4 Employees Retirement System~~[, the County Employees Retirement System,]~~ and  
5 the State Police Retirement System.

6 (2) The plans shall constitute qualified governmental excess benefit plans as provided  
7 in 26 U.S.C. sec. 415(m).

8 (3) All retired members and beneficiaries of the three (3) retirement systems  
9 administered by the Kentucky Retirement Systems whose effective retirement dates  
10 are July 1, 1998, or after, and whose retirement allowances have been limited by 26  
11 U.S.C. sec. 415 shall be participants in the plans. Each member's participation in the  
12 plans shall be determined each fiscal year and will cease for any year in which the  
13 retirement allowance is not limited by 26 U.S.C. sec. 415.

14 (4) A participant shall receive a benefit equal to the difference between the retirement  
15 allowance otherwise payable from the system prior to any reduction or limitation  
16 required by 26 U.S.C. sec. 415 and the actual retirement allowance payable as  
17 limited by 26 U.S.C. sec. 415. The benefit shall be subject to withholding for  
18 applicable state and federal taxes. The benefit shall be paid in accordance with the  
19 retirement payment option selected by the member or beneficiary for the retirement  
20 allowance.

21 (5) (a) The board, in accordance with the recommendation of the actuary, shall  
22 determine the required contribution for each of the two (2)~~three (3)~~ plans to  
23 pay benefits each fiscal year. The required contribution for each of the two  
24 (2)~~three (3)~~ plans in each fiscal year shall be the total amount of benefits  
25 payable under this section to all participants plus the amount required to pay  
26 the administrative expenses of the plan and the employer's share of any  
27 employment taxes on the benefits paid from the plan.

- 1 (b) The required contribution shall be paid by the participating employers.
- 2 (c) The required contribution for each plan shall be deposited into the separate  
3 fund. The plan is intended to be exempt from federal income tax under 26  
4 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).
- 5 (d) The benefit liability of each plan shall be determined on a fiscal year basis,  
6 and contributions shall not be accumulated to pay benefits in future fiscal  
7 years. Any assets of the plans not used to pay benefits in the current fiscal year  
8 shall be used for payment of the administrative expenses of the plan for the  
9 current or future fiscal years or shall be paid to the appropriate retirement  
10 system as an additional employer contribution.
- 11 (6) The benefits payable from the plans shall be treated in accordance with KRS  
12 61.690.
- 13 (7) The board shall promulgate administrative regulations to modify the benefits  
14 payable under the plans as necessary for the plans to be qualified under 26 U.S.C.  
15 sec. 415(m).
- 16 (8) The provisions of this section, and any administrative regulations promulgated as a  
17 result of this section, shall be applied retroactively to retired members, and  
18 beneficiaries, whose effective retirement dates are between July 1, 1998, and July  
19 14, 2000.
- 20 ➔Section 100. KRS 61.660 is amended to read as follows:
- 21 (1) The State Treasurer shall be the custodian of the funds received under authority of  
22 KRS 61.510 to 61.705 and ~~16.510 to 16.652 and 78.510 to 78.852~~ and shall be  
23 responsible for the safekeeping of all cash and securities in his custody. All  
24 payments from the fund shall be made by him on warrants issued by the Finance  
25 and Administration Cabinet. Payments may be in the form of checks, which shall  
26 clearly show on the envelope or other mailing device the name and address of the  
27 Kentucky Retirement Systems, or direct deposit bank transfers.

1 (2) The board shall appoint a custodian or custodians of the cash and securities  
2 acquired under authority of KRS 61.510 to 61.705 and 16.510 to 16.652~~, and~~  
3 ~~78.510 to 78.852~~; and the custodian or custodians shall be responsible for the  
4 safekeeping of all cash and securities in his custody.

5 ➔Section 101. KRS 61.665 is amended to read as follows:

6 (1) The board shall employ at least three (3) physicians, licensed in the state and not  
7 members of the system, upon terms and conditions it prescribes to serve as medical  
8 examiners, whose duty it shall be to pass upon all medical examinations required  
9 under KRS 61.510 to 61.705 and 16.505 to 16.652~~, and 78.510 to 78.852~~, to  
10 investigate all health or medical statements and certificates made by or in behalf of  
11 any person in connection with the payment of money to the person under KRS  
12 61.510 to 61.705 and 16.505 to 16.652~~, and 78.510 to 78.852~~, and who shall  
13 report in writing to the system the conclusions and recommendations upon all  
14 matters referred to them. The board may employ one (1) or more licensed mental  
15 health professionals in making recommendations regarding mental impairments.

16 (2) (a) Each person requesting disability retirement shall file at the retirement office  
17 an application for disability retirement and supporting medical information to  
18 report the person's physical and mental condition. The person shall also file at  
19 the retirement office a complete description of the job and duties from which  
20 he received his last pay as well as evidence that the person has made a request  
21 for reasonable accommodation as provided for in 42 U.S.C. sec. 12111(9) and  
22 29 C.F.R. Part 1630. The person shall certify to the retirement office that the  
23 application for disability retirement and supporting medical information are  
24 ready to be evaluated by the medical examiners in accordance with paragraph  
25 (d) of this subsection. If, after good faith efforts, the person informs the  
26 system that he has been unable to obtain the employment or medical  
27 information, the system shall assist the person in obtaining the records and

1           may use the authority granted pursuant to KRS 61.685(1) to obtain the  
2           records. If the person fails to file, at the retirement office within one hundred  
3           eighty (180) days of the date the person filed his notification of retirement,  
4           any of the forms, certifications, or information required by this subsection, the  
5           person's application for disability retirement shall be void. Any subsequent  
6           filing of an application for disability retirement or supporting medical  
7           information shall not be evaluated, except as provided in paragraph (f) of this  
8           subsection or KRS 61.600(2).

9           (b) The employer shall file at the retirement office a complete description of the  
10          job and duties for which the person was last paid and shall submit a detailed  
11          description of reasonable accommodations attempted.

12          (c) The cost of medical examinations and the filing of the medical information,  
13          reports, or data with the retirement office shall be paid by the person applying  
14          for disability retirement.

15          (d) The system shall select three (3) medical examiners to evaluate the medical  
16          evidence submitted by the person. The medical examiners shall recommend  
17          that disability retirement be approved, or that disability retirement be denied.  
18          If there is evidence of a mental impairment, the medical examiners may  
19          request the board's licensed mental health professional to assist in determining  
20          the level of the mental impairment.

21          (e) If two (2) or more of the three (3) medical examiners recommend that the  
22          person be approved for disability retirement, the system shall make retirement  
23          payments in accordance with the retirement plan selected by the person.

24          (f) If two (2) or more of the three (3) medical examiners recommend that the  
25          person be denied disability retirement, the system shall send notice of this  
26          recommendation by United States first-class mail to the person's last address  
27          on file in the retirement office. The person shall have one hundred eighty

1 (180) days from the day that the system mailed the notice to file at the  
2 retirement office additional supporting medical information and certify to the  
3 retirement office that the application for disability retirement and supporting  
4 medical information are ready to be evaluated by the medical examiners or to  
5 appeal his denial of disability retirement by filing at the retirement office a  
6 request for a formal hearing. Any subsequent filing of an application for  
7 disability retirement or supporting medical information shall not be evaluated,  
8 except as provided in KRS 61.600(2).

9 (g) If two (2) or more of the three (3) medical examiners recommend that the  
10 person be approved for disability retirement based upon the evaluation of  
11 additional supporting medical information in accordance with paragraph (f) of  
12 this subsection, the system shall make retirement payments in accordance with  
13 the retirement plan selected by the person.

14 (h) If two (2) or more of the three (3) medical examiners recommend that the  
15 person be denied disability retirement based upon the evaluation of additional  
16 supporting medical information in accordance with paragraph (f) of this  
17 subsection, the system shall send notice of this recommendation by United  
18 States first-class mail to the person's last address on file in the retirement  
19 office. The person shall have one hundred eighty (180) days from the day that  
20 the system mailed the notice to appeal his denial of disability retirement by  
21 filing at the retirement office a request for a formal hearing.

22 (i) The medical examiners shall be paid a reasonable amount by the retirement  
23 system for each case evaluated.

24 (j) Notwithstanding the foregoing provisions of this section, the system may pay  
25 for one (1) or more medical examinations of the person requested by the  
26 medical examiners for the purpose of providing medical information deemed  
27 necessary by the medical examiners. The system may require the person to



- 1 submit to one (1) or more medical examinations.
- 2 (3) (a) Any person whose disability benefits have been reduced, discontinued, or  
3 denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the  
4 retirement office a request for a formal hearing to be conducted in accordance  
5 with KRS Chapter 13B. The right to demand a formal hearing shall be limited  
6 to a period of one hundred eighty (180) days after the person had notice of the  
7 system's determination, as described in subsection (2)(f) or (2)(h) of this  
8 section. The request for a formal hearing shall be filed with the executive  
9 director, at the retirement office in Frankfort. The request for a formal hearing  
10 shall include a short and plain statement of the reasons the denial of disability  
11 retirement is being contested.
- 12 (b) Failure of the person to request a formal hearing within the period of time  
13 specified shall preclude the person from proceeding any further with the  
14 application for disability retirement, except as provided in KRS 61.600(2).  
15 This paragraph shall not limit the person's right to appeal to a court.
- 16 (c) The system may require the person requesting the formal hearing to submit to  
17 one (1) or more medical or psychological examinations. Notice of the time  
18 and place of the examination shall be mailed to the person or his legal  
19 representative. The system shall be responsible for the cost of the  
20 examination.
- 21 (d) A final order of the board shall be based on substantial evidence appearing in  
22 the record as a whole and shall set forth the decision of the board and the facts  
23 and law upon which the decision is based.
- 24 (e) All requests for a hearing pursuant to this section shall be made in writing.
- 25 (4) The board may establish an appeals committee whose members shall be appointed  
26 by the chair and who shall have the authority to act upon the recommendations and  
27 reports of the hearing officer pursuant to this section on behalf of the board.

1 (5) Any person aggrieved by a final order of the board may seek judicial review after all  
2 administrative appeals have been exhausted by filing a petition for judicial review  
3 in the Franklin Circuit Court in accordance with KRS Chapter 13B.

4 (6) The system, pursuant to regulations, may refer an employee determined by it to be  
5 disabled to the Kentucky Office of Vocational Rehabilitation for evaluation and, if  
6 appropriate, retraining.

7 (a) The cost of the evaluation and retraining shall be paid by the system in  
8 accordance with the regulations established by the board.

9 (b) The member shall perform all acts that are necessary to enroll in and satisfy  
10 the requirements of Vocational Rehabilitation as prescribed by the board. This  
11 shall include the exchange of confidential information between Kentucky  
12 Retirement Systems and the Kentucky Office of Vocational Rehabilitation as  
13 necessary to conduct the rehabilitation process. Failure of the member to  
14 cooperate with the system or Vocational Rehabilitation may result in his  
15 disability allowance being discontinued, reduced, or denied until the member  
16 complies with the agency requests. If the refusal continues for one (1) year, all  
17 his rights to any further disability allowance shall cease.

18 ➔Section 102. KRS 61.670 is amended to read as follows:

19 (1) (a) As soon as practicable after its organization, the board shall adopt the  
20 actuarial tables necessary for the administration of the system and for the  
21 annual determination of actuarial assets and liabilities of the system.

22 (b) The board shall cause an actuarial valuation to be made annually. The  
23 valuation shall at a minimum include:

24 1. A description of the actuarial assumptions used in the actuarial  
25 valuation, which shall be reasonably related to the experience of the  
26 system and represent the actuary's best estimate of anticipated  
27 experience;

- 1           2.    A description of any funding methods utilized or required by state law in  
2                    the development of the actuarial valuation results;
- 3           3.    A description of any changes in actuarial assumptions and methods from  
4                    the previous year's actuarial valuation;
- 5           4.    The actuarially recommended contribution rate for employers for the  
6                    upcoming budget periods;
- 7           5.    A twenty (20) year projection of the funding levels, unfunded liabilities,  
8                    and actuarially recommended contribution rates for employers based  
9                    upon the actuarial assumptions, funding methods, and experience of the  
10                  system as of the valuation date; and
- 11          6.    A sensitivity analysis that evaluates the impact of changes in system  
12                  assumptions, including but not limited to the investment return  
13                  assumption, payroll growth assumption, and medical inflation rates, on  
14                  employer contribution rates, funding levels, and unfunded liabilities.
- 15          (c)   At least once in each five (5) year period, the board shall cause an actuarial  
16                  investigation to be made of all the experience under the retirement system  
17                  relative to the actuarial assumptions and funding methods previously adopted  
18                  by the board. The actuarial investigation shall include at a minimum a  
19                  summary of the changes in actuarial assumptions and funding methods  
20                  recommended in the investigation and the projected impact of the  
21                  recommended changes on funding levels, unfunded liabilities, and actuarially  
22                  recommended contribution rates for employers over a twenty (20) year period.
- 23          (d)   Pursuant to the actuarial investigation the board shall, from time to time,  
24                  revise the actuarial tables previously adopted by the board and shall thereupon  
25                  revise the bases of the rates of contributions required under KRS 61.510 to  
26                  61.692 and ~~[,]~~ KRS 16.505 to 16.652~~[, and KRS 78.510 to 78.852]~~.
- 27          (e)   For any change in actuarial assumptions, funding methods, retiree health

1 insurance premiums and subsidies, or any other decisions made by the board  
2 that impact system liabilities and actuarially recommended contribution rates  
3 for employers and that are not made in conjunction with the actuarial  
4 investigation required by paragraph (c) of this subsection, an actuarial analysis  
5 shall be completed showing the projected impact of the changes on funding  
6 levels, unfunded liabilities, and actuarially recommended contribution rates  
7 for employers over a twenty (20) year period.

8 (f) All actuarial investigations, analyses, and valuations shall be certified to the  
9 board by an actuary who shall be a fellow of the Conference of Consulting  
10 Actuaries or a member of the American Academy of Actuaries.

11 (2) A copy of each five (5) year actuarial investigation, actuarial analysis, and annual  
12 valuation required by subsection (1) of this section shall be forwarded electronically  
13 to the Legislative Research Commission no later than ten (10) days after receipt by  
14 the board, and the Legislative Research Commission shall distribute the information  
15 received to the committee staff and co-chairs of any committee that has jurisdiction  
16 over the Kentucky Retirement Systems. The actuarial valuation required by  
17 subsection (1)(b) of this section shall be submitted no later than November 15  
18 following the close of the fiscal year.

19 (3) The Legislative Research Commission may employ an actuary with the same  
20 qualifications as the actuary employed by the board, and the board shall, free of  
21 charge, provide the actuary employed by the Commission with the same data  
22 provided to its own actuary, and any supplementary data he may require. The  
23 actuary employed by the Commission shall review the assumptions, determinations  
24 and recommendations of the board actuary, and legislative proposals related to the  
25 retirement systems, and report his findings to the Commission and to the board. The  
26 board shall pay fifty percent (50%) of the cost of the Commission's actuary, and the  
27 Commission shall pay the other fifty percent (50%).

1       ➔Section 103. KRS 61.675 is amended to read as follows:

- 2       (1) The employer shall prepare the records and, from time to time, shall furnish the  
3       information the system may require in the discharge of its duties. Upon employment  
4       of an employee, the employer shall inform him of his duties and obligations in  
5       connection with the system as a condition of employment.
- 6       (2) The system may at any time conduct an audit of the employer in order to determine  
7       if the employer is complying with the provisions of KRS 16.505 to 16.652 ~~and~~  
8       61.610 to 61.705~~, or 78.510 to 78.852~~. The system shall have access to and may  
9       examine all books, accounts, reports, correspondence files, and records of any  
10      employer. Every employer, employee, or agency reporting official of a department  
11      ~~for county, as defined in KRS 78.510(3),~~ having records in his possession or under  
12      his control, shall permit access to and examination of the records upon the request  
13      of the system.
- 14      (3) (a) Any agency participating in the Kentucky Employees Retirement System  
15      which is not an integral part of the executive branch of state government shall  
16      file the following at the retirement office on or before the tenth day of the  
17      month following the period being reported:
- 18              1. The employer and employee contributions required under KRS 61.560,  
19              61.565, and 61.702;
- 20              2. The employer contributions and reimbursements for retiree health  
21              insurance premiums required under KRS 61.637; and
- 22              3. A record of all contributions to the system on the forms prescribed by  
23              the board.
- 24      (b) If the agency fails to file all contributions and reports on or before the tenth  
25      day of the month following the period being reported, interest on the  
26      delinquent contributions at the actuarial rate adopted by the board  
27      compounded annually, but not less than one thousand dollars (\$1,000), shall

1 be added to the amount due the system.

2 ➔Section 104. KRS 61.680 is amended to read as follows:

- 3 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to  
4 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to  
5 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.  
6 Thereafter, employee contributions shall be picked up by the employer pursuant to  
7 KRS 61.560(4).
- 8 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to  
9 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:
- 10 1. Upon death, disability, or service retirement, a member's accounts under  
11 the Legislators' Retirement Plan, State Police Retirement System,  
12 Kentucky Employees Retirement System, County Employees Retirement  
13 System, and Teachers' Retirement System, except for service prohibited  
14 by KRS 161.623(2), shall be consolidated for the purpose of determining  
15 eligibility and amount of benefits, including those members who  
16 participate in the hybrid cash balance plan within the Kentucky  
17 Employees Retirement System, the County Employees Retirement  
18 System, and the State Police Retirement System on or after January 1,  
19 2014, **and regardless of the transition of administration of the County**  
20 **Employees Retirement System as provided by this Act;**
- 21 2. Vested service credit in a retirement system, other than the Teachers'  
22 Retirement System, sponsored by a Kentucky institution of higher  
23 education and accepted by the Kentucky Employees Retirement System  
24 or the County Employees Retirement System, may be used to determine  
25 eligibility for twenty-seven (27) year retirement for an employee who  
26 begins participating before September 1, 2008, but not the amount of  
27 benefits;

- 1           3. The computation of benefits shall be based on the applicable formula in  
2           each system and service credit in each system, but the final  
3           compensation, excluding compensation earned under KRS 161.155(10),  
4           shall be determined as if all service were in one (1) system;
  - 5           4. If the member has prior service in more than one (1) system  
6           administered by Kentucky Retirement Systems, he shall obtain at least  
7           twelve (12) months' current service in each system in which he has prior  
8           service in order to validate the prior service in each system for purposes  
9           of determining consolidated benefits under this subsection; and
  - 10          5. Upon the determination of benefits, each system shall pay the applicable  
11          amount of benefits due the member.
- 12          (b) The provisions of paragraph (a) of this subsection shall be waived if the  
13          member:
- 14               1. notifies the system of his desire to maintain separate retirement accounts  
15               in the State Police Retirement System, Kentucky Employees Retirement  
16               System, or County Employees Retirement System; or
  - 17               2. Fails to simultaneously retire from all state-administered retirement  
18               systems in which the member has an account or fails to retire from any  
19               other systems not administered by Kentucky Retirement Systems within  
20               one (1) month of the member's effective retirement date in the systems  
21               administered by Kentucky Retirement Systems.
- 22          (c) If the member has not contributed at least one (1) year in a system in which he  
23          has prior service, his current service in the system shall be valid for purposes  
24          of determining eligibility and in computation of benefits on a consolidated  
25          basis.
- 26          (3) (a) A member with service credit in the Kentucky Employees Retirement System,  
27          State Police Retirement System, or the County Employees Retirement System who

1 becomes the holder of an office entitling him to membership in the Judicial  
2 Retirement Plan or the Legislators' Retirement Plan, but who does not elect within  
3 thirty (30) days after taking office in such service to participate in the plan, in  
4 accordance with KRS 6.505 or 21.360, shall be deemed to have elected to retain  
5 membership in the system in which he is a member, either the Kentucky Employees  
6 Retirement System, State Police Retirement System, or the County Employees  
7 Retirement System. In that event, the agency employing the member shall withhold  
8 employee contributions, or picked-up employee contributions after August 2, 1982,  
9 make employer contributions and remit these contributions to the system in which  
10 the member retained his membership.

11 (b) Any person entitled to membership in the Judicial Retirement Plan or the  
12 Legislators' Retirement Plan, who does not elect within thirty (30) days after  
13 taking office to participate in the plan, in accordance with KRS 6.505 or  
14 21.360, and who at the time of taking office is not a contributing member of,  
15 or does not have service credit in, any of the retirement systems mentioned in  
16 this section, or the Teachers' Retirement System, shall participate in the  
17 Kentucky Employees Retirement System.

18 (c) A member of one (1) of the state-administered retirement plans who ceases to  
19 contribute to the plan as provided in KRS 21.360 and who is employed in a  
20 nonelected position by an agency participating in the Kentucky Retirement  
21 Systems or Kentucky Teachers' Retirement System shall be deemed to have  
22 elected membership in the system in which the employer of the nonelected  
23 position participates. A member of one (1) of the state-administered  
24 retirement plans who ceases to contribute to the plan as provided in KRS  
25 21.360 and who is not employed in a nonelected position by an agency  
26 participating in the Kentucky Retirement Systems shall be deemed to have  
27 elected membership in the Kentucky Employees Retirement System.



- 1 (4) (a) Prior to July 1, 1976, a person entering the service of an employer  
2 participating in the Kentucky Employees Retirement System or the County  
3 Employees Retirement System with service credit in the Teachers' Retirement  
4 System and who desires to retain membership in the Teachers' Retirement  
5 System, and who is permitted by that system to continue, shall be exempt  
6 from participating in the Kentucky Employees Retirement System or the  
7 County Employees Retirement System.
- 8 (b) Any person who has elected to retain membership in the Teachers' Retirement  
9 System as provided in paragraph (a) of this subsection may cancel his election  
10 and participate in the system under which his position would normally  
11 participate, if he elects to cancel his option prior to January 1, 1977.
- 12 (c) Any member of the General Assembly who upon election is a contributing  
13 member of the Teachers' Retirement System and who does not elect within  
14 thirty (30) days after taking office to participate in the Legislators' Retirement  
15 Plan, in accordance with KRS 6.505, shall during his term of office participate  
16 in the Kentucky Employees Retirement System unless an election to retain  
17 membership in the Teachers' Retirement System is filed in writing within  
18 ninety (90) days after his term of office begins. No contributions may be made  
19 to the Teachers' Retirement System for the same period of service under the  
20 Legislators' Retirement Plan or the Kentucky Employees Retirement System  
21 as a member of the General Assembly, but contributions made to the Teachers'  
22 Retirement System while a member of the General Assembly shall be  
23 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,  
24 when the member elects to join the Legislators' Retirement Plan, and service  
25 credit in the Legislators' Retirement Plan shall be granted as provided for in  
26 KRS 6.505(5).
- 27 (5) Any member of the Kentucky Employees Retirement System or County Employees

1 Retirement System who is working in a position covered by one (1) of these  
2 retirement systems and his employee contributions, service credit and employer  
3 contributions made on his behalf are being transferred to the other retirement  
4 system shall contribute to the system in which his employer participates, or after  
5 August 1, 1982, the employer shall pick up the employee contributions, and no  
6 further contributions or service credit shall be transferred to the system in which he  
7 elected to retain membership, as subsection (2) of this section eliminates the  
8 necessity of the transfers.

9 (6) Any member of the Kentucky Employees Retirement System ~~or County Employees~~  
10 ~~Retirement System~~ who is working in more than one (1) position covered by the  
11 same retirement system, shall have his wages and contributions consolidated and his  
12 retirement account administered as a single account. If part-time positions are  
13 involved, an accumulation of all hours worked within the same retirement system  
14 shall be used to determine eligibility under KRS 61.510(21).

15 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who  
16 does not have the amount of service required for service retirement in the State  
17 Police Retirement System, Kentucky Employees Retirement System, County  
18 Employees Retirement System, Legislators' Retirement Plan, or Teachers'  
19 Retirement System, but who is a member of one (1) of the systems or is a former  
20 member of one (1) or more of the systems with valid service credit therein, shall  
21 become eligible for service retirement benefits attributable to the amount of his  
22 actual service credit in each system in which he has service credit when his  
23 combined service credit in all the systems, plus any service credit he has in the  
24 Judicial Retirement Plan, is equal to that required for service retirement in each  
25 respective system. The computation of benefits shall be based on the applicable  
26 formula in each system and service credit in each system, except that total service in  
27 all systems, unless prohibited by KRS 161.623(2), shall be used to determine the

1 reduction for early retirement, if any. Except as provided in KRS 21.360, the final  
 2 compensation shall be determined by using the creditable compensation reported to  
 3 the State Police Retirement System, Kentucky Employees Retirement System,  
 4 County Employees Retirement System, Legislators' Retirement Plan, or Teachers'  
 5 Retirement System and only as much of the compensation earned in the Judicial  
 6 Retirement Plan as is needed to satisfy the final compensation requirement  
 7 applicable in the respective retirement systems.

8 (b) Paragraph (a) of this subsection shall be waived if the member fails to  
 9 simultaneously retire from all state-administered retirement systems in which  
 10 the member has an account or fails to retire from any other systems not  
 11 administered by Kentucky Retirement Systems within one (1) month of the  
 12 member's effective retirement date in the systems administered by the  
 13 Kentucky retirement systems.

14 (8) Each retirement system from which the member retires shall pay a retirement  
 15 allowance upon receipt of required forms and documents, except that no retirement  
 16 system shall pay a retirement allowance or annuity until all forms and documents  
 17 are filed at all retirement systems in compliance with each system's requirements.

18 ➔Section 105. KRS 61.690 is amended to read as follows:

19 (1) Except as otherwise provided by this section and KRS 61.705(4), all retirement  
 20 allowances and other benefits accrued or accruing to any person under the  
 21 provisions of KRS 61.510 to 61.705 and~~[,]~~ 16.505 to 16.652~~[,]~~ ~~and 78.510 to~~  
 22 ~~78.852~~, and the accumulated account balance and cash securities in the funds  
 23 created under KRS 61.510 to 61.705 and~~[,]~~ 16.505 to 16.652~~[,]~~ ~~and 78.510 to~~  
 24 ~~78.852~~, are hereby exempt from any state, county, or municipal tax, and shall not  
 25 be subject to execution, attachment, garnishment, or any other process, and shall not  
 26 be assigned.

27 (2) Notwithstanding the provisions of subsection (1) of this section, retirement benefits

1 accrued or accruing to any person under the provisions of KRS 61.510 to 61.705  
2 and 16.505 to 16.652~~, and 78.510 to 78.852~~ on or after January 1, 1998, shall  
3 be subject to the tax imposed by KRS 141.020, to the extent provided in KRS  
4 141.010 and 141.0215.

5 (3) Qualified domestic relations orders issued by a court or administrative agency shall  
6 be honored by the retirement system if:

7 (a) The benefits payable pursuant to the order meet the requirements of a  
8 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The  
9 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)  
10 in administering qualified domestic relations orders;

11 (b) The order meets the requirements established by the retirement system and by  
12 subsections (3) to (11) of this section. The board of trustees of the retirement  
13 system shall establish the requirements, procedures, and forms necessary for  
14 the administration of qualified domestic relations orders by promulgation of  
15 administrative regulations in accordance with KRS Chapter 13A; and

16 (c) The order is on the form established by the retirement system pursuant to the  
17 retirement system's authority provided under paragraph (3)(b) of this  
18 subsection.

19 (4) A qualified domestic relations order shall not:

20 (a) Require the retirement system to take any action not authorized under state or  
21 federal law;

22 (b) Require the retirement system to provide any benefit, allowance, or other  
23 payment not authorized under state or federal law;

24 (c) Grant or be construed to grant the alternate payee any separate right, title, or  
25 interest in or to any retirement benefit other than to receive payments from the  
26 participant's account in accordance with the administrative regulations  
27 promulgated by the retirement system and as provided by subsections (3) to

- 1 (11) of this section; or
- 2 (d) Grant any separate interest to any person other than the participant.
- 3 (5) Any qualified domestic relations order submitted to the retirement system shall
- 4 specify the dollar amount or percentage amount of the participant's benefit to be
- 5 paid to the alternate payee. In calculating the amount to be paid to the alternate
- 6 payee, the court or administrative agency that is responsible for issuing the order
- 7 shall follow the requirements set forth in the administrative regulations promulgated
- 8 by the board of trustees. Notwithstanding any other statute to the contrary, the board
- 9 shall not be required to honor a qualified domestic relations order that does not
- 10 follow the requirements set forth in the administrative regulations promulgated by
- 11 the board of trustees.
- 12 (6) If the qualified domestic relations order meets the requirements established by the
- 13 system and by subsections (3) to (11) of this section, payments to the alternate
- 14 payee shall begin under the following conditions:
- 15 (a) If the participant is retired and is receiving a monthly retirement allowance,
- 16 the month following the date the retirement system receives a qualified
- 17 domestic relations order that complies with the administrative regulations
- 18 promulgated by the retirement system and subsections (3) to (11) of this
- 19 section; or
- 20 (b) If the participant is not retired, the month of the participant's effective
- 21 retirement date in which the first retirement allowance is payable to the
- 22 participant or the month in which the participant receives a refund of his or
- 23 her accumulated account balance as provided by KRS 61.625.
- 24 (7) An alternate payee's benefits and rights under a qualified domestic relations order
- 25 shall terminate upon the earlier of:
- 26 (a) The death of the participant;
- 27 (b) The death of the alternate payee; or

1 (c) The termination of the participant's benefits under any of the provisions of  
2 KRS 16.505 to 16.652 and 61.510 to 61.705, ~~and 78.510 to 78.852~~.

3 (8) An alternate payee shall not receive a monthly payment under a qualified domestic  
4 relations order if the participant is not receiving a monthly retirement allowance.

5 (9) The cost of living adjustment provided to the participant pursuant to KRS 61.691  
6 shall be divided between the participant and alternate payee in a qualified domestic  
7 relations order as follows:

8 (a) If the order specifies the alternate payee is to receive a percentage of the  
9 participant's benefit, then the cost of living adjustment shall be divided  
10 between the participant and the alternate payee based upon the percentage of  
11 the total benefit each is receiving upon the participant's retirement or upon the  
12 date the order is approved by the retirement system, whichever is later; or

13 (b) If the order specifies that the alternate payee is to receive a set dollar amount  
14 of the participant's benefit, then the order shall specify that:

15 1. The cost of living adjustment shall be divided between the participant  
16 and the alternate payee based upon the percentage of the total benefit  
17 each is receiving upon the participant's retirement or upon the date the  
18 order is approved by the retirement system, whichever is later; or

19 2. The alternate payee shall receive no cost of living adjustment.

20 If the order does not specify the division of the cost of living adjustment as  
21 required by this paragraph, then no cost of living adjustment shall be payable  
22 to the alternate payee. If no cost of living adjustment is provided to the  
23 alternate payee, then the participant shall receive the full cost of living  
24 adjustment he or she would have received if the order had not been applied to  
25 the participant's account.

26 (10) Except in cases involving child support payments, the retirement system may charge  
27 reasonable and necessary fees and expenses to the recipient and the alternate payee

1 of a qualified domestic relations order for the administration of the qualified  
2 domestic relations order by the retirement system. All fees and expenses shall be  
3 established by administrative regulations promulgated by the board of trustees of  
4 the retirement system. The qualified domestic relations order shall specify whether  
5 the fees and expenses provided by this subsection shall be paid:

- 6 (a) Solely by the participant;
- 7 (b) Solely by the alternate payee; or
- 8 (c) Equally shared by the participant and alternate payee.

9 (11) The retirement system shall honor a qualified domestic relations order issued prior  
10 to July 15, 2010, if:

- 11 (a) The order was on file and approved by the retirement system prior to July 15,  
12 2010. All benefits, including cost of living adjustments payable to the  
13 alternate payee, for orders that meet the requirements of this paragraph shall  
14 not be eliminated or reduced as a result of the provisions of subsections (3) to  
15 (10) of this section and KRS 61.510(27)~~and 78.510(26)~~; or
- 16 (b) The order or an amended version of the order meets the requirements  
17 established by this section and the administrative regulations promulgated by  
18 the retirement system. The order shall not apply to benefit payments issued by  
19 the retirement system prior to the date the order was approved by the  
20 retirement system.

21 ➔Section 106. KRS 61.691 is amended to read as follows:

- 22 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance  
23 under KRS 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ shall  
24 have his retirement allowance increased on July 1 of each year by the percentage  
25 increase in the annual average of the consumer price index for all urban consumers  
26 for the most recent calendar year as published by the federal Bureau of Labor  
27 Statistics, not to exceed five percent (5%). In determining the annual employer

1 contribution rate, only the cost of increases granted as of the most recent valuation  
2 date shall be recognized. The benefits of this subsection as provided on August 1,  
3 1996, to July 1, 2008, shall not be considered as benefits protected by the inviolable  
4 contract provisions of KRS 16.652 ~~and 61.692, and 78.852~~. The General  
5 Assembly reserves the right to suspend or reduce the benefits conferred in this  
6 subsection if in their judgment the welfare of the Commonwealth so demands.

7 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a  
8 retirement allowance under KRS 16.505 to 16.652 ~~and 61.510 to 61.705,~~  
9 ~~and 78.510 to 78.852~~ shall have his or her retirement allowance increased by  
10 one and one-half percent (1.5%), if:

- 11 1. The funding level of the system is greater than one hundred percent  
12 (100%) and subsequent legislation authorizes the use of any surplus  
13 actuarial assets to provide an increase in retirement allowances  
14 described by this subsection for the system which has the surplus  
15 actuarial assets; or
- 16 2. The General Assembly appropriates sufficient funds or directs payment  
17 of funds to fully prefund the increase described by this subsection in the  
18 year the increase is provided.

19 (b) The board of trustees of the Kentucky Retirement Systems shall, at least thirty  
20 (30) days prior to the beginning of regular sessions of the General Assembly  
21 held in even-numbered years, advise the General Assembly of the following:

- 22 1. Which systems have a funding level greater than one hundred percent  
23 (100%) and can support an increase in recipients' retirement allowances  
24 as provided by paragraph (a) of this subsection over the next budget  
25 biennium without reducing the funding level of the system below one  
26 hundred percent (100%); and
- 27 2. If no surplus actuarial assets are available, the level of funds needed to



1 fully prefund an increase for system recipients over the next budget  
2 biennium if a one and one-half percent (1.5%) increase is provided  
3 annually over the biennium.

4 (c) For purposes of this subsection, "funding level" means the actuarial value of  
5 assets divided by the actuarially accrued liability expressed as a percentage  
6 that is determined and reported by the system's actuary in the system's  
7 actuarial valuation.

8 (d) The full increase described by this subsection shall only be provided if the  
9 recipient has been receiving a benefit for at least twelve (12) months prior to  
10 the effective date of the increase. If the recipient has been receiving a benefit  
11 for less than twelve (12) months prior to the effective date of the increase  
12 provided by this subsection, the increase shall be reduced on a pro rata basis  
13 for each month the recipient has not been receiving benefits in the twelve (12)  
14 months preceding the effective date of the increase.

15 (e) In determining the annual employer contribution rate, only the cost of  
16 increases granted as of the most recent valuation date shall be recognized.

17 (f) The benefits of this subsection as provided on July 1, 2009, and thereafter  
18 shall not be considered as benefits protected by the inviolable contract  
19 provisions of KRS 16.652 and 61.692~~[, and 78.852]~~. The General  
20 Assembly reserves the right to suspend or reduce the benefits conferred in this  
21 subsection if, in its judgment, the welfare of the Commonwealth so demands.

22 (3) A reemployed retired member whose payments are suspended as provided under  
23 KRS 61.637 shall be eligible for an increase in his suspended retirement allowance  
24 as provided under this section, computed as if he were receiving the retirement  
25 allowance at the time the increase under this section is effective.

26 (4) In addition to the increase to a recipient's retirement allowance as provided by  
27 subsection (2) of this section, the General Assembly may, by subsequent legislation,

1 provide supplemental increases to a recipient's retirement allowance to help adjust  
2 for actual changes in the recipient's cost of living if the General Assembly  
3 appropriates sufficient funds to fully prefund the benefit in the year the increase is  
4 provided.

5 ➔Section 107. KRS 61.701 is amended to read as follows:

6 (1) (a) There is hereby created and established a trust fund to be known as "Kentucky  
7 Retirement Systems insurance trust fund." All assets received in the trust fund  
8 shall be deemed trust funds to be held and applied solely as provided in this  
9 section. Assets of the trust fund shall not be used for any other purpose and  
10 shall not be used to pay the claims of creditors or any individual, person, or  
11 employer participating in the Kentucky Employees Retirement System~~],~~  
12 ~~County Employees Retirement System,~~ or State Police Retirement System.

13 (b) The trust fund is intended to be established as a trust exempt from taxation  
14 under 26 U.S.C. sec. 115.

15 (2) The trust fund is created for the purpose of providing a trust separate from the  
16 retirement funds. Trust fund assets are dedicated for use for health benefits as  
17 provided in KRS 61.702, and as permitted under 26 U.S.C. secs. 105 and 106, to  
18 retired recipients and employees of employers participating in the Kentucky  
19 Employees Retirement System~~],~~ ~~County Employees Retirement System,~~ and State  
20 Police Retirement System, and to certain of their dependents or beneficiaries,  
21 including but not limited to qualified beneficiaries as described in 42 U.S.C. secs.  
22 300bb-1 et seq.

23 (3) The trust fund shall be administered by the board of trustees of the Kentucky  
24 Retirement Systems and the board shall serve as trustees of the fund. The board  
25 shall manage the assets of the fund in the same manner in which it administers the  
26 retirement funds, except that separate accounting and financial reporting shall be  
27 maintained for the trust fund.

- 1 (4) In addition to the requirements of subsection (2) of this section, the employers  
2 participating in the trust fund are limited to the Commonwealth, political  
3 subdivisions of the Commonwealth, and entities whose income is exempt from  
4 taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust fund.
- 5 (5) If the trust fund is terminated, the assets in the trust fund may revert, after the  
6 payment of all liabilities, to the participating employers as determined by the board  
7 of trustees.
- 8 (6) The board of trustees may adopt regulations and procedures and take all action  
9 necessary and appropriate to provide that the income of the trust fund is exempt  
10 from taxation under Title 26 of United States Code.
- 11 (7) The establishment of Kentucky Retirement Systems insurance trust fund shall not  
12 diminish or expand the rights of any recipients, employees, or dependents to health  
13 benefits.

14 ➔Section 108. KRS 61.702 is amended to read as follows:

- 15 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by  
16 appropriate contract or on a self-insured basis to provide a group  
17 hospital and medical insurance plan for present and future recipients of a  
18 retirement allowance from the Kentucky Employees Retirement  
19 System~~[, County Employees Retirement System,]~~ and State Police  
20 Retirement System, except as provided in subsection (8) of this section.  
21 The board shall also arrange to provide health care coverage through an  
22 insurer licensed pursuant to Subtitle 38 of KRS Chapter 304 and  
23 offering a managed care plan as defined in KRS 304.17A-500, as an  
24 alternative to group hospital and medical insurance for any person  
25 eligible for hospital and medical benefits under this section.
- 26 2. Any person who chooses coverage under a hospital and medical  
27 insurance plan shall pay, by payroll deduction from the retirement

1 allowance or by another method, the difference in premium between the  
2 cost of the hospital and medical insurance plan coverage and the benefits  
3 to which he would be entitled under this section.

- 4 3. For purposes of this section, "hospital and medical insurance plan" may  
5 include, at the board's discretion, any one (1) or more of the following:
- 6 a. Any hospital and medical expense policy or certificate, provider-  
7 sponsored integrated health delivery network, self-insured medical  
8 plan, health maintenance organization contract, or other health  
9 benefit plan;
  - 10 b. Any health savings account as permitted by 26 U.S.C. sec. 223 or  
11 health reimbursement arrangement or a similar account as may be  
12 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or  
13 account, in the board's discretion, may reimburse any medical  
14 expense permissible under 26 U.S.C. sec. 213; or
  - 15 c. A medical insurance reimbursement program established by the  
16 board through the promulgation of administrative regulation under  
17 which members purchase individual health insurance coverage  
18 through a health insurance exchange established under 42 U.S.C.  
19 sec. 18031 or 18041.

20 (b) The board may authorize present and future recipients of a retirement  
21 allowance from any of the three (3) retirement systems to be included in the  
22 state employees' group for hospital and medical insurance and shall provide  
23 benefits for recipients equal to those provided to state employees having the  
24 same Medicare hospital and medical insurance eligibility status, except as  
25 provided in subsection (8) of this section. Notwithstanding the provisions of  
26 any other statute, recipients shall be included in the same class as current state  
27 employees in determining medical insurance policies and premiums.

- 1 (c) For recipients of a retirement allowance who are not eligible for the same  
2 level of hospital and medical benefits as recipients living in Kentucky having  
3 the same Medicare hospital and medical insurance eligibility status, the board  
4 shall provide a medical insurance reimbursement plan as described in  
5 subsection (7) of this section.
- 6 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of  
7 trustees, in its discretion, may take necessary steps to ensure compliance with  
8 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving  
9 contributions and premiums from, and providing benefits pursuant to this  
10 section to, persons entitled to continuation coverage under 42 U.S.C. secs.  
11 300bb-1 et seq., regardless of whether such persons are recipients of a  
12 retirement allowance.
- 13 (2) (a) Each employer participating in the State Police Retirement System as  
14 provided for in KRS 16.505 to 16.652~~], each employer participating in the~~  
15 ~~County Employees Retirement System as provided in KRS 78.510 to 78.852,]~~  
16 and each employer participating in the Kentucky Employees Retirement  
17 System as provided for in KRS 61.510 to 61.705 shall contribute to the  
18 Kentucky Retirement Systems insurance trust fund the amount necessary to  
19 provide hospital and medical insurance as provided for under this section.  
20 Such employer contribution rate shall be developed by appropriate actuarial  
21 method as a part of the determination of each respective employer  
22 contribution rate to each respective retirement system determined under KRS  
23 61.565.
- 24 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct  
25 from the creditable compensation of each member having a membership  
26 date on or after September 1, 2008, an amount equal to one percent (1%)  
27 of the member's creditable compensation. The deducted amounts shall

- 1 be credited to accounts established pursuant to 26 U.S.C. sec. 401(h),  
2 within the funds established in KRS 16.510 and[,] 61.515[, and 78.520].
- 3 2. The employer shall file the contributions as provided by subparagraph 1.  
4 of this paragraph at the retirement office in accordance with KRS  
5 61.675[ and 78.625]. Any interest or penalties paid on any delinquent  
6 contributions shall be credited to accounts established pursuant to 26  
7 U.S.C. sec. 401(h), within the funds established in KRS 16.510 and[,]  
8 61.515[, and 78.520]. Notwithstanding any minimum compensation  
9 requirements provided by law, the deductions provided by this paragraph  
10 shall be made, and the compensation of the member shall be reduced  
11 accordingly.
- 12 3. Each employer shall submit payroll reports, contributions lists, and other  
13 data as may be required by administrative regulation promulgated by the  
14 board of trustees pursuant to KRS Chapter 13A.
- 15 4. Every member shall be deemed to consent and agree to the deductions  
16 made pursuant to this paragraph, and the payment of salary or  
17 compensation less the deductions shall be a full and complete discharge  
18 of all claims for services rendered by the person during the period  
19 covered by the payment, except as to any benefits provided by KRS  
20 16.505 to 16.652 and[,] 61.510 to 61.705[, and 78.510 to 78.852]. No  
21 member may elect whether to participate in, or choose the contribution  
22 amount to accounts established pursuant to 26 U.S.C. sec. 401(h) within  
23 the funds established in KRS 16.510 and[,] 61.515[, and 78.520]. The  
24 member shall have no option to receive the contribution required by this  
25 paragraph directly instead of having the contribution paid to accounts  
26 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
27 established in KRS 16.510 and[,] 61.515[, and 78.520]. No member

1           may receive a rebate or refund of contributions. If a member establishes  
 2           a membership date prior to September 1, 2008, pursuant to KRS  
 3           61.552(1) or 61.552(~~19~~)(~~20~~), then this paragraph shall not apply to the  
 4           member and all contributions previously deducted in accordance with  
 5           this paragraph shall be refunded to the member without interest. The  
 6           contribution made pursuant to this paragraph shall not act as a reduction  
 7           or offset to any other contribution required of a member or recipient  
 8           under KRS 16.505 to 16.652 and, 61.510 to 61.705, ~~and 78.510 to~~  
 9           ~~78.852~~.

10           5. The board of trustees, at its discretion, may direct that the contributions  
 11           required by this paragraph be accounted for within accounts established  
 12           pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
 13           16.510 and, 61.515, ~~and 78.520~~ through the use of separate accounts.

14 (3) (a) The premium required to provide hospital and medical benefits under this  
 15           section shall be paid:

16           1. Wholly or partly from funds contributed by the recipient of a retirement  
 17           allowance, by payroll deduction, or otherwise;

18           2. Wholly or partly from funds contributed by the Kentucky Retirement  
 19           Systems insurance trust fund;

20           3. Wholly or partly from funds contributed to accounts established  
 21           pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
 22           16.510 and, 61.515, ~~and 78.520~~;

23           4. Wholly or partly from funds contributed by another state-administered  
 24           retirement system under a reciprocal arrangement, except that any  
 25           portion of the premium paid from the Kentucky Retirement Systems  
 26           insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
 27           401(h) within the funds established in KRS 16.510 and, 61.515, ~~and~~

1           ~~78.520~~ under a reciprocal agreement shall not exceed the amount that  
 2           would be payable under this section if all the member's service were in  
 3           one (1) of the systems administered by the Kentucky Retirement  
 4           Systems;

5           5. Partly from subparagraphs 1. to 4. of this paragraph, except that any  
 6           premium for hospital and medical insurance over the amount contributed  
 7           by the Kentucky Retirement Systems insurance trust fund; accounts  
 8           established pursuant to 26 U.S.C. sec. 401(h) within the funds  
 9           established in KRS 16.510 and~~[,]~~ 61.515~~[, and 78.520]~~; or another state-  
 10          administered retirement system under a reciprocal agreement shall be  
 11          paid by the recipient by an automatic electronic transfer of funds. If the  
 12          board provides for cross-referencing of insurance premiums, the  
 13          employer's contribution for the working member or spouse shall be  
 14          applied toward the premium, and the Kentucky Retirement Systems  
 15          insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
 16          401(h) within the funds established in KRS 16.510 and~~[,]~~ 61.515~~[, and~~  
 17          ~~78.520]~~ shall pay the balance, not to exceed the monthly contribution; or

18          6. In full from the Kentucky Retirement Systems insurance trust fund or  
 19          accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
 20          established in KRS 16.510 and~~[,]~~ 61.515~~[, and 78.520]~~ for all recipients  
 21          of a retirement allowance from any of the three (3) retirement systems  
 22          where such recipient is a retired former member of one (1) or more of  
 23          the three (3) retirement systems (not a beneficiary or dependent child  
 24          receiving benefits) and had two hundred and forty (240) months or more  
 25          of service upon retirement. Should such recipient have less than two  
 26          hundred forty (240) months of service but have at least one hundred  
 27          eighty (180) months of service, seventy-five percent (75%) of such



1 premium shall be paid from the insurance trust fund or accounts  
2 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
3 established in KRS 16.510 and 61.515~~, and 78.520~~, provided such  
4 recipient agrees to pay the remaining twenty-five percent (25%) by  
5 payroll deduction from his retirement allowance or by another method.  
6 Should such recipient have less than one hundred eighty (180) months of  
7 service but have at least one hundred twenty (120) months of service,  
8 fifty percent (50%) of such premium shall be paid from the insurance  
9 trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)  
10 within the funds established in KRS 16.510 and 61.515~~, and 78.520~~,  
11 provided such recipient agrees to pay the remaining fifty percent (50%)  
12 by payroll deduction from his retirement allowance or by another  
13 method. Should such recipient have less than one hundred twenty (120)  
14 months of service but have at least forty-eight (48) months of service,  
15 twenty-five percent (25%) of such premium shall be paid from the  
16 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
17 401(h) within the funds established in KRS 16.510 and 61.515~~, and~~  
18 ~~78.520~~, provided such recipient agrees to pay the remaining seventy-  
19 five percent (75%) by payroll deduction from his retirement allowance  
20 or by another method. Notwithstanding the foregoing provisions of this  
21 subsection, an employee participating in one (1) of the retirement  
22 systems administered by the Kentucky Retirement Systems who  
23 becomes disabled in the line of duty as defined in KRS 16.505(19) or  
24 61.621, shall have his premium paid in full as if he had two hundred  
25 forty (240) months or more of service. Further, an employee  
26 participating in one (1) of the retirement systems administered by the  
27 Kentucky Retirement Systems who is killed in the line of duty as

1 defined in KRS 16.505(19) or 61.621, shall have the premium for the  
2 beneficiary, if the beneficiary is the member's spouse, and for each  
3 dependent child paid so long as they individually remain eligible for a  
4 monthly retirement benefit. "Months of service" as used in this section  
5 shall mean the total months of combined service used to determine  
6 benefits under any or all of the two (2)~~three (3)~~ retirement systems,  
7 except service added to determine disability benefits shall not be  
8 counted as "months of service." For current and former employees of the  
9 Council on Postsecondary Education who were employed prior to  
10 January 1, 1993, and who earn at least fifteen (15) years of service credit  
11 in the Kentucky Employees Retirement System, "months of service"  
12 shall also include vested service in another retirement system other than  
13 the Kentucky Teachers' Retirement System sponsored by the Council on  
14 Postsecondary Education.

- 15 (b) 1. For a member electing insurance coverage through the Kentucky  
16 Retirement Systems, "months of service" shall include, in addition to  
17 service as described in paragraph (a) of this subsection, service credit in  
18 one (1) of the other state-administered retirement plans.
- 19 2. Effective August 1, 1998, the Kentucky Retirement Systems shall  
20 compute the member's combined service, including service credit in  
21 another state-administered retirement plan, and calculate the portion of  
22 the member's premium to be paid by the insurance trust fund accounts  
23 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
24 established in KRS 16.510 and~~[,]~~ 61.515~~[, and 78.520]~~, according to the  
25 criteria established in paragraph (a) of this subsection. Each state-  
26 administered retirement plan annually shall pay to the insurance trust  
27 fund the percentage of the system's cost of the retiree's monthly

1 contribution for single coverage for hospital and medical insurance  
2 which shall be equal to the percentage of the member's number of  
3 months of service in the other state-administered retirement plan divided  
4 by his total combined service. The amounts paid by the other state-  
5 administered retirement plans and the insurance trust fund or accounts  
6 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
7 established in KRS 16.510 and[,] 61.515[, and 78.520] shall not be  
8 more than one hundred percent (100%) of the monthly contribution  
9 adopted by the respective boards of trustees.

10 3. A member may not elect coverage for hospital and medical benefits  
11 under this subsection through more than one (1) of the state-  
12 administered retirement plans.

13 4. A state-administered retirement plan shall not pay any portion of a  
14 member's monthly contribution for medical insurance unless the member  
15 is a recipient or annuitant of the plan.

16 5. The premium paid by the Kentucky Retirement Systems insurance trust  
17 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within  
18 the funds established in KRS 16.510 and[,] 61.515[, and 78.520] shall  
19 not exceed one hundred percent (100%) of the monthly contribution rate  
20 toward hospital and medical insurance coverage approved by the board  
21 of trustees of the Kentucky Retirement Systems.

22 (4) (a) Group rates under the hospital and medical insurance plan shall be made  
23 available to the spouse, each dependent child, and each disabled child,  
24 regardless of the disabled child's age, of a recipient who is a former member  
25 or the beneficiary, if the premium for the hospital and medical insurance for  
26 the spouse, each dependent child, and each disabled child, or beneficiary is  
27 paid by payroll deduction from the retirement allowance or by another

1 method. For purposes of this subsection only, a child shall be considered  
2 disabled if he has been determined to be eligible for federal Social Security  
3 disability benefits or meets the dependent disability standard established by  
4 the Department of Employee Insurance in the Personnel Cabinet.

- 5 (b) The other provisions of this section notwithstanding, the insurance trust fund  
6 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
7 established in KRS 16.510 ~~and~~ 61.515~~, and 78.520~~ shall pay a percentage  
8 of the monthly contribution for the spouse and for each dependent child of a  
9 recipient who was a member of the General Assembly and is receiving a  
10 retirement allowance based on General Assembly service, of the Kentucky  
11 Employees Retirement System and determined to be in a hazardous position~~,~~  
12 ~~of the County Employees Retirement System, and determined to be in a~~  
13 ~~hazardous position or of the State Police Retirement System].~~ The percentage  
14 of the monthly contribution paid for the spouse and each dependent child of a  
15 recipient who was in a hazardous position shall be based solely on the  
16 member's service with the State Police Retirement System or service in a  
17 hazardous position using the formula in subsection (3)(a) of this section~~,~~  
18 ~~except that for any recipient of a retirement allowance from the County~~  
19 ~~Employees Retirement System who was contributing to the system on January~~  
20 ~~1, 1998, for service in a hazardous position, the percentage of the monthly~~  
21 ~~contribution shall be based on the total of hazardous service and any~~  
22 ~~nonhazardous service as a police or firefighter with the same agency, if that~~  
23 ~~agency was participating in the County Employees Retirement System but did~~  
24 ~~not offer hazardous duty coverage for its police and firefighters at the time of~~  
25 ~~initial participation].~~

- 26 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
27 401(h) within the funds established in KRS 16.510 ~~and~~ KRS 61.515~~, and~~

1           ~~78.520~~ shall continue the same level of coverage for a recipient who was a  
2           member of the system~~[County Employees Retirement System]~~ after the age of  
3           sixty-five (65) as before the age of sixty-five (65), if the recipient is not  
4           eligible for Medicare coverage. If the insurance trust fund or accounts  
5           established pursuant to 26 U.S.C. sec. 401(h) within the funds established in  
6           KRS 16.510 and~~[,] 61.515[, and 78.520]~~ provides coverage for the spouse or  
7           each dependent child of a former member of the system~~[County Employees  
8           Retirement System]~~, the insurance trust fund or accounts established pursuant  
9           to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 and~~[,]  
10          61.515[, and 78.520]~~ shall continue the same level of coverage for the spouse  
11          or each dependent child after the age of sixty-five (65) as before the age of  
12          sixty-five (65), if the spouse or dependent child is not eligible for Medicare  
13          coverage.

14       (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member  
15       who holds a judicial office but did not elect to participate in the Judicial Retirement  
16       Plan and is participating instead in the Kentucky Employees Retirement System~~[,  
17       the County Employees Retirement System, or the State Police Retirement System,]~~  
18       as provided in KRS 61.680, and who has at least twenty (20) years of total service,  
19       one-half (1/2) of which is in a judicial office, shall receive the same hospital and  
20       medical insurance benefits, including paid benefits for spouse and dependents, as  
21       provided to persons retiring under the provisions of KRS 21.427. The  
22       Administrative Office of the Courts shall pay the cost of the medical insurance  
23       benefits provided by this subsection.

24       (6) Premiums paid for hospital and medical insurance coverage procured under  
25       authority of this section shall be exempt from any premium tax which might  
26       otherwise be required under KRS Chapter 136. The payment of premiums by the  
27       insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)

1 within the funds established in KRS 16.510 ~~and~~ 61.515~~, and 78.520~~ shall not  
2 constitute taxable income to an insured recipient. No commission shall be paid for  
3 hospital and medical insurance procured under authority of this section.

4 (7) The board shall promulgate an administrative regulation to establish a medical  
5 insurance reimbursement plan to provide reimbursement for hospital and medical  
6 insurance premiums of recipients of a retirement allowance who are not eligible for  
7 the same level of hospital and medical benefits as recipients living in Kentucky and  
8 having the same Medicare hospital and medical insurance eligibility status. An  
9 eligible recipient shall file proof of payment for hospital and medical insurance at  
10 the retirement office. Reimbursement to eligible recipients shall be made on a  
11 quarterly basis. The recipient shall be eligible for reimbursement of substantiated  
12 medical insurance premiums for an amount not to exceed the total monthly  
13 premium determined under subsection (3) of this section. The plan shall not be  
14 made available if all recipients are eligible for the same coverage as recipients  
15 living in Kentucky.

16 (8) (a) 1. For employees having a membership date on or after July 1, 2003, and  
17 before September 1, 2008, participation in the insurance benefits  
18 provided under this section shall not be allowed until the employee has  
19 earned at least one hundred twenty (120) months of service in the state-  
20 administered retirement systems.

21 2. For an employee having a membership date on or after September 1,  
22 2008, participation in the insurance benefits provided under this section  
23 shall not be allowed until the employee has earned at least one hundred  
24 eighty (180) months of service credited under KRS 16.543(1),  
25 61.543(1), ~~for 78.615(1)~~ or another state-administered retirement  
26 system.

27 (b) An employee who meets the minimum service requirements as provided by

1 paragraph (a) of this subsection shall be eligible for benefits as follows:

2 1. For employees who are not in a hazardous position, a monthly insurance  
3 contribution of ten dollars (\$10) for each year of service as a  
4 participating employee.

5 2. For employees who are in a hazardous position or who participate in the  
6 State Police Retirement System, a monthly insurance contribution of  
7 fifteen dollars (\$15) for each year of service as a participating employee  
8 in a hazardous position or as a participating member of the State Police  
9 Retirement System. Upon the death of the retired member, the  
10 beneficiary, if the beneficiary is the member's spouse, shall be entitled to  
11 a monthly insurance contribution of ten dollars (\$10) for each year of  
12 service the member attained as a participating employee in a hazardous  
13 position or as a participating member of the State Police Retirement  
14 System.

15 (c) 1. The minimum service requirement to participate in benefits as provided  
16 by paragraph (a) of this subsection shall be waived for a member who is  
17 disabled or killed in the line of duty as defined in KRS 16.505(19), and  
18 the member or his spouse and eligible dependents shall be entitled to the  
19 benefits payable under this subsection as though the member had twenty  
20 (20) years of service in a hazardous position.

21 2. The minimum service required to participate in benefits as provided by  
22 paragraph (a) of this subsection shall be waived for a member who is  
23 disabled in the line of duty as defined in KRS 61.621, and the member  
24 shall be entitled to the benefits payable under this subsection as though  
25 the member has twenty (20) years of service in a nonhazardous position.

26 3. The minimum service required to participate in benefits as provided by  
27 paragraph (a) of this subsection shall be waived for a member who is

1 killed in the line of duty as described in KRS 61.621, and the member's  
2 spouse and eligible dependents shall be entitled to the benefits payable  
3 under this subsection as though the member has twenty (20) years of  
4 service in a hazardous position.

5 (d) The monthly insurance contribution amount shall be increased July 1 of each  
6 year by one and one-half percent (1.5%). The increase shall be cumulative and  
7 shall continue to accrue after the member's retirement for as long as a monthly  
8 insurance contribution is payable to the retired member or beneficiary.

9 (e) The benefits of this subsection provided to a member whose participation  
10 begins on or after July 1, 2003, shall not be considered as benefits protected  
11 by the inviolable contract provisions of KRS 61.692 and 16.652~~, and~~  
12 ~~78.852~~. The General Assembly reserves the right to suspend or reduce the  
13 benefits conferred in this subsection if in its judgment the welfare of the  
14 Commonwealth so demands.

15 (f) An employee whose membership date is on or after September 1, 2008, who  
16 retires and is reemployed in a regular full-time position required to participate  
17 in one (1) of the systems administered by Kentucky Retirement Systems shall  
18 not be eligible for health insurance coverage or benefits provided by this  
19 section and shall take coverage with his or her employing agency during the  
20 period of reemployment in a regular full-time position.

21 ➔Section 109. KRS 61.705 is amended to read as follows:

22 (1) Upon the death of a retired member of the Kentucky Employees Retirement  
23 System~~, County Employees Retirement System,~~ or State Police Retirement  
24 System who was receiving a monthly retirement allowance based on a minimum of  
25 forty-eight (48) months of service or whose retirement allowance based on a  
26 minimum of forty-eight (48) months was suspended in accordance with KRS  
27 61.637, a death benefit of five thousand dollars (\$5,000) shall be paid. If the retired



1 member had more than one (1) account in the Kentucky Employees Retirement  
2 System~~[, County Employees Retirement System,]~~ or State Police Retirement  
3 System, **or was eligible for a benefit under Section 51 of this Act from the County**  
4 **Employees Retirement System,** the ~~systems~~~~[system]~~ shall pay only one (1) five  
5 thousand dollar (\$5,000) death benefit. **Each system's cost shall be prorated**  
6 **between the systems based upon the level of service credit in each system.**

7 Application for the death benefit made to the Kentucky Retirement Systems shall  
8 include acceptable evidence of death and of the eligibility of the applicant to act on  
9 the deceased retired member's behalf.

10 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon  
11 retirement or any time thereafter, the retired member may designate on the form  
12 prescribed by the board, death benefit designation, a person, the retired member's  
13 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death  
14 benefit. The beneficiary for the death benefit may or may not be the same  
15 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary  
16 designated under this section is a person and that person dies prior to the member,  
17 or if the beneficiary was the retired member's spouse and they were divorced on the  
18 date of the retired member's death, then the retired member's estate shall become the  
19 beneficiary, unless the retired member has filed a subsequent death benefit  
20 designation. If a licensed funeral home is designated as beneficiary and the licensed  
21 funeral home cannot be reasonably identified or located by Kentucky Retirement  
22 Systems at the time of the retired member's death, then the retired member's estate  
23 shall become the beneficiary of the death benefit.

24 (3) If, at the time of the retired member's death, a debt to the Kentucky Retirement  
25 Systems remains on his or her account, the balance owed shall be deducted from the  
26 five thousand dollars (\$5,000) death benefit.

27 (4) Upon the death of a retired member, the death benefit provided pursuant to this

1 section may be assigned by the designated beneficiary to a bank or licensed funeral  
2 home.

3 ➔Section 110. KRS 70.292 is amended to read as follows:

4 (1) A county sheriff's office in the Commonwealth of Kentucky may employ police  
5 officers who have retired under the State Police Retirement System, Kentucky  
6 Employees Retirement System, or the County Employees Retirement System as  
7 provided by KRS 70.291 to 70.293.

8 (2) An individual employed under KRS 70.291 to 70.293 shall have:

- 9 (a) 1. Participated in the Law Enforcement Foundation Program fund under  
10 KRS 15.410 to 15.515; or  
11 2. Retired as a commissioned officer pursuant to KRS Chapter 16;  
12 (b) Retired with at least twenty (20) years of service credit;  
13 (c) Been separated from service for the period required by KRS 61.637 or Section  
14 52 of this Act so that the member's retirement is not voided;  
15 (d) Retired with no administrative charges pending; and  
16 (e) Retired with no pre-existing agreement between the individual and the  
17 sheriff's office prior to the individual's retirement for the individual to return  
18 to work for the sheriff's office.

19 ➔Section 111. KRS 70.293 is amended to read as follows:

20 (1) Individuals employed under KRS 70.291 to 70.293 shall:

- 21 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term  
22 may be renewed annually at the discretion of the employing sheriff's office;  
23 (b) Receive compensation according to the standard procedures applicable to the  
24 employing sheriff's office; and  
25 (c) Be employed based upon need as determined by the employing sheriff's office.

26 (2) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,  
27 61.510 to 61.705, or 78.510 to 78.852 to the contrary:

- 1 (a) Individuals employed under KRS 70.291 to 70.293 shall continue to receive  
2 all retirement and health insurance benefits to which they were entitled upon  
3 retiring in the applicable system administered by Kentucky Retirement  
4 Systems or the County Employees Retirement System;
- 5 (b) Individuals employed under KRS 70.291 to 70.293 shall not be eligible to  
6 receive health insurance coverage through the sheriff's office or the fiscal  
7 court of the sheriff's county;
- 8 (c) The sheriff's office or fiscal court of the sheriff's office shall not pay any  
9 employer contributions or retiree health expense reimbursements to the  
10 Kentucky Retirement Systems required by KRS 61.637(17) or subsection (4)  
11 of Section 52 of this Act for individuals employed under KRS 70.291 to  
12 70.293; and
- 13 (d) The sheriff's office or fiscal court of the sheriff's office shall not pay any  
14 insurance contributions to the state health insurance plan, as provided by KRS  
15 18A.225 to 18A.2287, for individuals employed under KRS 70.291 to 70.293.
- 16 (3) Individuals employed under KRS 70.291 to 70.293 shall be subject to any merit  
17 system, civil service, or other legislative due process provisions applicable to the  
18 sheriff's office. A decision not to renew a one (1) year appointment term under this  
19 section shall not be considered a disciplinary action or deprivation subject to due  
20 process.
- 21 ➔Section 112. KRS 78.530 is amended to read as follows:
- 22 (1) (a) Each county and school board, as defined in KRS 78.510, will participate in  
23 the system by appropriate order authorizing such participation which has been  
24 entered and duly recorded in the records of the governing body of the county  
25 or school board. In cases where general purpose county government does not  
26 participate, but the sheriff and his employees or the county clerk and his  
27 employees do, the sheriff or the clerk shall retain the order in his office. The

1 authority to issue and properly record such order of participation being hereby  
2 granted, permits such county to participate in the system. The effective date of  
3 such participation shall be fixed in the order.

4 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems  
5 shall deny the request for participation of any agency which does not have an  
6 irrevocable contract with the state Personnel Cabinet for health insurance  
7 coverage under KRS 18A.225 to 18A.229 for its active employees, except  
8 that:

9 1. County governments entering the system between April 9, 2002, and  
10 July 1, 2003, under this section shall be excluded from this requirement;  
11 and

12 2. Agencies entering the system on or after April 9, 2002, which were  
13 established by a merger or an interlocal agreement to provide public  
14 services shall be excluded from this requirement if all agencies entering  
15 into the merger or interlocal agreement had an initial participation date  
16 with the system prior to April 9, 2002.

17 (2) Once a county or school board participates, it shall thereafter continue to  
18 participate, except as provided in KRS 78.535.

19 (3) (a) Concurrent with the adoption of the appropriate resolution to participate in the  
20 system, a county may elect the alternate participation plan which will require  
21 the county to purchase on behalf of each employee electing coverage, at the  
22 time the county elected to participate in the system as provided under  
23 subsection (1)(b) and (c) of Section 14 of this Act~~[KRS 78.540(2)]~~, current  
24 service credit for employment in regular full-time positions between July 1,  
25 1958, and the participation date of the county. Cities which participate in the  
26 system pursuant to subsection (6) of this section, KRS 79.080, 90.400, 90.410,  
27 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 shall be required to

1 purchase on behalf of each employee electing coverage only as much service  
2 credit as the employee has accumulated in the city-administered plan, up to  
3 the participation date of the city. Accumulated service shall include service for  
4 which an employee received a refund pursuant to KRS 95.620 or 95.866, if  
5 such refund has been repaid. If the employee has not yet repaid the refund, he  
6 may make payment to the system by any method acceptable to the system, and  
7 the requirement of five (5) years of continuous reemployment prior to  
8 repayment of refunds shall not apply. Upon the employee's repayment, the city  
9 shall purchase the associated service credit for the employee. Cost of such  
10 service credit over and above that which would be funded within the existing  
11 employer contribution rate shall be determined by the board's consulting  
12 actuary. The expense of such actuarial service shall be paid by the county;

13 (b) The county shall establish a payment schedule subject to approval by the  
14 board for payment of the cost of such service over and above that which  
15 would be funded within the existing employer contribution rate. The  
16 maximum period allowed in a payment schedule shall be thirty (30) years,  
17 with interest at the rate actuarially assumed by the board. A shorter period is  
18 desirable and the board may approve any payment schedule provided it is not  
19 longer than a thirty (30) year period, except that cities which participate in the  
20 system pursuant to subsection (6) of this section, KRS 79.080, 90.400, 90.410,  
21 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 may, at their option, extend  
22 the payment schedule to a maximum of thirty (30) years, may choose to make  
23 level payments at the interest rate actuarially assumed by the board over the  
24 life of the payment schedule chosen, and may retain employer contributions  
25 and the earnings thereon attributable to employees electing coverage;

26 (c) A city entering the system under the alternate participation plan, may, by  
27 ordinance, levy a special property tax to pay for current service credit

1 purchased for the period between July 1, 1958, and the participation date of  
2 the city. The special tax shall be to pay, within a period of no more than  
3 fifteen (15) years, for the cost of such service credit over that which would be  
4 funded within the existing employer contribution rate, as determined by the  
5 board's consulting actuary. The reason for levying the special tax and the  
6 disposition of the proceeds shall be part of the ordinance levying the tax. The  
7 special tax shall be rescinded when the unfunded prior service liability has  
8 been amortized, and shall not be subject to the provisions of KRS 132.017 or  
9 132.027. In addition, the city may maintain any tax, the proceeds of which had  
10 been devoted to funding pension obligations under the locally administered  
11 plan prior to participation in the system, for the purpose of funding current  
12 service costs incurred after the date of participation. The city may increase the  
13 tax to pay current service costs which exceed the local pension system costs to  
14 which the tax had been devoted, but the city shall not collect from the tax  
15 more revenues than are necessary to pay current service costs incurred after  
16 the date of participation. The city may continue the tax so long as it  
17 participates in the system, and the tax shall not be subject to the provisions of  
18 KRS 132.017 or 132.027. The city shall not collect either tax authorized by  
19 this paragraph if its participation has been terminated pursuant to Section 13  
20 of this Act~~[KRS 61.522]~~;

- 21 (d) The county may at a later date purchase current service credit from July 1,  
22 1958, to the participation date of the county by alternate participation plan for  
23 those employees who rejected membership in the system at the time the  
24 county first participated. In addition, the employer shall pay the employer  
25 contributions on the creditable compensation of the employees who later elect  
26 membership from the participation date of the county to the date the member  
27 elects participation. The employee shall pay the employee contributions on his

1           creditable compensation from the participation date of the county to the date  
2           he elects membership plus interest at the current actuarial rate compounded  
3           annually on the employee and employer contributions. Cost of the service  
4           credit over and above that which would be funded within the existing  
5           employer contribution rate shall be determined by the board's consulting  
6           actuary. The expense of the actuarial service shall be paid by the county. The  
7           county shall pay the cost of the service by lump sum or by adding it to the  
8           existing payment schedule established under paragraph (b) of this subsection;

9           (e) A county which did not participate by alternate participation may, until July 1,  
10          1991, purchase current service credit for those employees who rejected  
11          membership in the system at the time the county first participated. The  
12          employer shall pay the employer contributions on the creditable compensation  
13          of the employees who later elect membership from the participation date of  
14          the county to the date the member elects participation. The employee shall pay  
15          the employee contributions on his creditable compensation from the  
16          participation date of the county to the date he elects membership plus interest  
17          at the current actuarial rate compounded annually on the employee and  
18          employer contributions. The county shall pay the cost of the service credit by  
19          lump sum or by establishing a payment schedule under paragraph (b) of this  
20          subsection; and

21          (f) A county which participated in the system but did not elect the alternate  
22          participation plan may at a later date elect the alternate participation plan. In  
23          this case, the county shall purchase on behalf of each employee participating  
24          in the system current service credit for employment in regular full-time  
25          positions between July 1, 1958, or a later date selected by the county  
26          government, and the participation date of the county. The county shall also  
27          purchase, for employees who decide to participate when the county elects the

1 alternate participation plan, current service credit for employment in regular  
2 full-time positions between July 1, 1958, or the later date selected by the  
3 county government, and the participation date of the county. In addition, the  
4 county shall pay the employer contributions on the creditable compensation of  
5 the employees who later elect membership from the participation date of the  
6 county to the date the member elects participation. The employee shall pay the  
7 employee contributions on his creditable compensation from the participation  
8 date of the county to the date he elects membership plus interest at the current  
9 actuarial rate compounded annually on the employee and employer  
10 contributions. Cost of the service credit over that which would be funded  
11 within the existing employer contribution rate shall be determined by the  
12 board's consulting actuary. The expense of the actuarial service shall be paid  
13 by the county. The county shall pay the cost of the service by lump sum or by  
14 a payment schedule established under paragraph (b) of this subsection.

15 (g) Notwithstanding any other provision of the Kentucky Revised Statutes to the  
16 contrary, this subsection shall not apply to members who begin participating  
17 in the system on or after January 1, 2014, and no county that elects to  
18 participate in the system on or after January 1, 2014, shall be eligible to  
19 participate under the alternate participation plan.

20 (4) Every school board not participating on June 21, 1974, shall enact a resolution of  
21 participation no later than July 1, 1976.

22 (5) The order of the governing body of a county, as provided for in subsection (1) of  
23 this section, may exclude from participation in the system hospitals and any other  
24 semi-independent agency. Each such excluded agency shall be identified in the  
25 order authorizing participation and such excluded agency may participate in the  
26 system as a separate agency.

27 (6) (a) After August 1, 1988, except as permitted by KRS 65.156, no local



1 government retirement system shall be created pursuant to KRS 70.580 to  
2 70.598 and any local government retirement systems created pursuant to KRS  
3 79.080, 90.400, 90.410, 95.768, and KRS Chapter 96 shall be closed to new  
4 members. New employees who would have been granted membership in such  
5 retirement systems shall instead be granted membership in the County  
6 Employees Retirement System. Employees who would have been granted  
7 membership in retirement systems created pursuant to KRS 95.768, or any  
8 other policemen or firefighters who would have been granted membership in  
9 retirement systems created pursuant to KRS 79.080, 90.400, or 90.410, or any  
10 such policemen or firefighter members employed on or prior to August 1,  
11 1988, who transfer to the County Employees Retirement System, shall be  
12 certified by their employers as working in hazardous positions. Each city  
13 participating in the County Employees Retirement System pursuant to this  
14 subsection shall execute the appropriate order authorizing such participation,  
15 shall select the alternate participation plan as described in subsection (3) of  
16 this section, and shall pay for the actuarial services necessary to determine the  
17 additional costs of alternate participation. Cities which closed their local  
18 pension systems to new members and participated in the system prior to July  
19 15, 1988, whose employees at the time of transition were given the option to  
20 join the system shall not be required to offer said employees a second option  
21 to join the system.

22 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the  
23 system~~systems~~ shall deny the request for participation of any agency which  
24 does not have an irrevocable contract with the state Personnel Cabinet for  
25 health insurance coverage under KRS 18A.225 to 18A.229 for its active  
26 employees, except that agencies entering the system on or after April 9, 2002,  
27 which were established by a merger or an interlocal agreement to provide

1 public services shall be excluded from this requirement if all agencies entering  
2 into the merger or interlocal agreement had an initial participation date with  
3 the system prior to April 9, 2002.

4 (7) Any city which closed a police and firefighter pension plan to new members  
5 between January 1, 1988, and July 15, 1988, and participated in the system under  
6 the alternate participation plan shall, if its police and firefighters were not covered  
7 by Social Security, or any city which operates a pension under KRS 90.400 or  
8 90.410, shall be required to certify that its police and firefighters are working in  
9 hazardous positions, and shall offer its police and firefighters in service at the time  
10 of entry a second option to participate under hazardous duty coverage if they were  
11 not offered hazardous duty coverage at the time of their first option. The provisions  
12 of subsection (3)(b) of this section notwithstanding, a city affected by this  
13 subsection may, at its option, extend its payment schedule to the County Employees  
14 Retirement System for alternate participation to thirty (30) years at the rate  
15 actuarially assumed by the board.

16 ➔Section 113. KRS 95.022 is amended to read as follows:

17 (1) As used in this section:

18 (a) "City" means any incorporated city, consolidated local government, unified  
19 local government, urban-county government, or charter county government,  
20 operating under the law of this Commonwealth, and the offices and agencies  
21 thereof; and

22 (b) "Police officer" has the same meaning as "police officer" in KRS 15.420 and  
23 as "officer" in KRS 16.010.

24 (2) Subject to the limitations of subsection (7) of this section, a city may employ  
25 individuals as police officers under this section who have retired from the Kentucky  
26 Employees Retirement System, the County Employees Retirement System, or the  
27 State Police Retirement System.

- 1 (3) To be eligible for employment under this section, an individual shall have:
- 2 (a) Participated in the Law Enforcement Foundation Program fund under KRS  
3 15.410 to 15.510 or retired as a commissioned officer pursuant to KRS  
4 Chapter 16;
- 5 (b) Retired with at least twenty (20) years of service credit;
- 6 (c) Been separated from service for the period required by KRS 61.637 **or Section**  
7 **52 of this Act** so that the member's retirement is not voided;
- 8 (d) Retired with no administrative charges pending; and
- 9 (e) Retired with no preexisting agreement between the individual and the city  
10 prior to the individual's retirement for the individual to return to work for the  
11 city.
- 12 (4) Individuals employed under this section shall:
- 13 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term  
14 may be renewed annually at the discretion of the employing city;
- 15 (b) Receive compensation according to the standard procedures applicable to the  
16 employing city; and
- 17 (c) Be employed based upon need as determined by the employing city.
- 18 (5) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,  
19 61.510 to 61.705, or 78.510 to 78.852 to the contrary:
- 20 (a) Individuals employed under this section shall continue to receive all  
21 retirement and health insurance benefits to which they were entitled upon  
22 retiring in the applicable system administered by Kentucky Retirement  
23 Systems **or the County Employees Retirement System**;
- 24 (b) Individuals employed under this section shall not be eligible to receive health  
25 insurance coverage through the employing city;
- 26 (c) The city shall not pay any employer contributions or retiree health expense  
27 reimbursements to the Kentucky Retirement Systems required by KRS

1           61.637(17) or subsection (4) of Section 52 of this Act for individuals  
2           employed under this section; and

3           (d) The city shall not pay any insurance contributions to the state health insurance  
4           plan, as provided by KRS 18A.225 to 18A.2287, for individuals employed  
5           under this section.

6           (6) Individuals employed under this section shall be subject to any merit system, civil  
7           service, or other legislative due process provisions applicable to the employing city.  
8           A decision not to renew a one (1) year appointment term under this section shall not  
9           be considered a disciplinary action or deprivation subject to due process.

10          (7) A city government shall be limited in the number of retired police officers that it  
11          may hire under this section as follows:

12          (a) A city government that employed an average of five (5) or fewer police  
13          officers over the course of calendar year 2015 shall not be limited in the  
14          number of officers that they may hire under this section;

15          (b) A city government that employed an average of more than five (5) but fewer  
16          than one hundred (100) police officers over the course of calendar year 2015  
17          shall not hire more than five (5) police officers or a number equal to twenty-  
18          five percent (25%) of the police officers employed by the city in calendar year  
19          2015, whichever is greater; and

20          (c) A city government that employed an average of ~~more than~~ one hundred  
21          (100) or more police officers over the course of calendar year 2015 shall not  
22          hire more than twenty-five (25) police officers or a number equal to ten  
23          percent (10%) of the police officers employed by the city in calendar year  
24          2015, whichever is greater.

25          ➔Section 114. KRS 95.290 is amended to read as follows:

26          (1) The city legislative body in cities of the first class may enact ordinances providing  
27          for a system of pensions for retired and disabled members of the police and fire

1 divisions of the department of public safety and their dependents, may appropriate  
2 funds for the purpose of paying such pensions, may allot and pay to the policemen's  
3 pension fund or the firefighters' pension fund or either or both of them, all fines and  
4 forfeitures imposed upon members of the respective divisions, and may provide for,  
5 assess, and collect contributions from the members for the benefit of the fund.

6 (2) (a) There shall be a governing body of the policemen's pension fund, and a  
7 governing body of the firefighters' pension fund. The governing bodies of the  
8 respective funds shall hold title to all assets in their respective funds, and shall  
9 have exclusive authority relating to investment of the assets of the funds,  
10 including contracting with investment advisors or managers to perform  
11 investment services as deemed necessary and prudent by the board. A majority  
12 of the governing body of each fund shall be composed of persons receiving  
13 pension benefits from the respective pension systems, and no more than one  
14 (1) member of the city legislative body may be a member of the governing  
15 body of either the policemen's or the firefighters' pension fund, except if there  
16 are fewer than six (6) active and retired members of the policemen's or the  
17 firefighters' pension fund, the governing body of the pension fund shall be  
18 composed of the mayor, city treasurer or chief financial officer, and two (2)  
19 employees appointed by the mayor from the city's respective police  
20 department or fire department. To be effective, an action of the governing  
21 body of a fund shall require only a simple majority of the votes cast at a  
22 properly convened meeting of the governing body where a quorum is present,  
23 with a quorum being a majority of the members of a governing body.

24 (b) If all liabilities to all individuals entitled to benefits from the policemen's  
25 pension fund or firefighters' pension fund have been satisfied, the ordinances  
26 establishing the fund may be repealed by the majority vote of the duly elected  
27 members of the entire legislative body. If repealed, the governing body of the

1           policemen's or firefighters' pension fund shall, within sixty (60) days of repeal,  
2           proceed with the liquidation of any residual assets of the fund. All residual  
3           assets liquidated pursuant to this paragraph shall be distributed by the  
4           governing body to the city's general fund provided the return of assets  
5           complies with federal and state law governing the distribution of assets.  
6           Within thirty (30) days following the distribution of residual assets, the  
7           governing body of the fund shall as its last act file a complete report with the  
8           legislative body of the city, for retention by the city clerk the same as for other  
9           city records, of the actions taken to dissolve the fund and liquidate residual  
10          assets of the fund.

11       (3) Any policemen's pension fund or any firefighters' pension fund established under  
12       the provisions of this section shall be held or distributed for, and only for, any of the  
13       following purposes of the respective fund as applicable:

- 14       (a) Paying pensions, and any bonus payments under applicable ordinances;
- 15       (b) Making payments to the city for transfer to the County Employees Retirement  
16       System for alternate participation pursuant to KRS 78.530(3)(a) and 78.531(2)  
17       or for the distribution of residual assets in the event the fund is dissolved  
18       pursuant to subsection (2)(b) of this section;
- 19       (c) Transferring pension assets through investment contract or other financial  
20       instrument for the purpose of amortizing unfunded service liabilities; and
- 21       (d) Payment from the city to the County Employees Retirement System for future  
22       pension contributions required pursuant to Sections 22 and 50 of this  
23       Act~~[KRS 61.565]~~.

24       Pursuant to the terms of this section, if policemen of the city of the first class elect  
25       entry into the County Employees Retirement System and thereby create excess  
26       funds over those required to provide for the purposes set forth in paragraphs (a), (b),  
27       and (c) of this subsection, these excess funds shall be distributed to the city for use

1 by the city for any other purpose it may elect, including, but not limited to, the  
2 establishment of a reserve for payment under paragraph (d) of this subsection. The  
3 governing board of the fund may annually expend for the necessary expenses  
4 connected with the fund, including but not limited to expenses for medical,  
5 actuarial, accounting, and legal services, the amount such governing board deems  
6 proper.

7 (e) Payment from the city to the County Employees Retirement System for future  
8 pension contributions required pursuant to Sections 22 and 50 of this  
9 Act~~[KRS 61.565]~~. Pursuant to the terms of this section, if firefighters of the  
10 city of the first class elect entry into the County Employees Retirement System  
11 and thereby create excess funds over those required to provide for the  
12 purposes set forth in paragraphs (a), (b), and (c) of this subsection, these  
13 excess funds shall be distributed according to the terms of an agreement  
14 negotiated between the city and the union organization representing the  
15 firefighters. The city may use its share of the distributed excess funds for any  
16 purpose it may elect, including, but not limited to, the establishment of a  
17 reserve for payment under paragraph (e) of this subsection.

18 (4) (a) The governing body of each pension fund shall insure that all of the assets in  
19 the fund are distributed for the purposes in subsection (3) of this section, and  
20 only for these purposes. If in any calendar year the assets in either fund exceed  
21 those needed for the actuarial liability for payment of pension benefits and any  
22 anticipated liabilities under subsection (3)(b) and (c) of this section, the  
23 legislative body of the city establishing the pension system shall insure by  
24 pension bonus ordinance that a portion of these excess funds be distributed in  
25 an equitable manner to all eligible pension recipients. Nothing in this  
26 subsection shall be construed to require any change to be made to any pension  
27 ordinance as it exists on July 15, 1998.

- 1 (b) The governing board of either fund may annually expend for the necessary  
2 expenses connected with the fund, including but not limited to expenses for  
3 medical, actuarial, accounting, and legal or other professional services, the  
4 amount such governing board deems proper.
- 5 (5) Any ordinance establishing a pension fund under this section shall make equitable  
6 provision for the rights of persons having an interest in assets transferred to the fund  
7 from any fund heretofore established by statute.
- 8 (6) To assure equal protection for the beneficiaries of either fund, any action taken by  
9 the city executive or legislative body in cities of the first class that affects a  
10 policemen's pension fund or a firefighters' pension fund established under this  
11 section shall, to the maximum extent permitted by law, treat each fund in a uniform  
12 manner and shall not cause any change to be made to the structure or operation of  
13 either fund, whether through legislation, litigation, compromise, settlement, or  
14 otherwise, unless any proposed change is offered to the other fund before it takes  
15 effect. Nothing in this subsection shall be construed to require any change to be  
16 made to any pension ordinance as it exists on July 15, 1998.
- 17 (7) The legislative body in a city of the first class shall issue the appropriate order,  
18 pursuant to KRS 78.530(1), directing participation for policemen in the County  
19 Employees Retirement System. All new employees who would have been granted  
20 membership in the local policemen's pension system shall be members of the  
21 County Employees Retirement System. All active members of the local policemen's  
22 pension system at the time of transition to the County Employees Retirement  
23 System may choose membership in the County Employees Retirement System or  
24 may retain membership in the local system. The city shall elect the alternate  
25 participation plan, pursuant to KRS 78.530(3), for policemen who transfer to the  
26 County Employees Retirement System. Notwithstanding the provisions of KRS  
27 78.530(3)(b), the city may, at its option, extend the payment period for the cost of



1 alternate participation to a maximum of twenty (20) years with the interest at the  
2 rate actuarially assumed by the board. The city shall have the right to use assets in  
3 the local pension fund, other than assets necessary to pay benefits to the remaining  
4 active members of the local policemen's pension system and to retirees and their  
5 survivors as determined by actuarial valuation, to assist in the payment of the  
6 annual installment cost of alternate participation. All policemen who become  
7 members of the County Employees Retirement System pursuant to this section shall  
8 be granted hazardous duty coverage, and the city may, at its option, purchase  
9 accumulated sick leave for each policeman upon retirement pursuant to KRS  
10 78.616.

11 (8) The legislative body in a city of the first class may issue the appropriate order,  
12 pursuant to KRS 78.530(1), directing participation for firefighters in the County  
13 Employees Retirement System. In the event that the legislative body in a city of the  
14 first class issues such an order, then all new employees who would have been  
15 granted membership in the local firefighters' pension system shall be members of  
16 the County Employees Retirement System. All active members of the local  
17 firefighters' pension system at the time of transition to the County Employees  
18 Retirement System may choose membership in the County Employees Retirement  
19 System or may retain membership in the local system. The city shall elect the  
20 alternate participation plan, pursuant to KRS 78.530(3), for firefighters who transfer  
21 to the County Employees Retirement System. Notwithstanding the provisions of  
22 KRS 78.530(3)(b), the city may, at its option, extend the payment period for the cost  
23 of alternate participation to a maximum of twenty (20) years with the interest at the  
24 rate actuarially assumed by the board. The city shall have the right to use assets in  
25 the local firefighters' pension fund, other than assets necessary to pay benefits to the  
26 remaining active members of the local firefighters' pension system and to retirees  
27 and their survivors as determined by actuarial valuation, to assist in the payment of

1 the annual installment cost of alternate participation. After certification by the  
2 County Employees Retirement System of eligibility for hazardous duty coverage,  
3 each firefighter who becomes a member of the County Employees Retirement  
4 System pursuant to this section shall be granted hazardous duty coverage.

5 (9) Notwithstanding the provisions of Sections 22 and 50 of this Act~~[KRS 61.565]~~,  
6 which relate to the contributions required of participating employers, any city of the  
7 first class participating in the County Employees Retirement System hazardous duty  
8 pension plan which has in effect a collective bargaining agreement with a group of  
9 employees who participate in said plan, shall have the right to enter into agreement  
10 with its employees or with their respective collective bargaining representatives.  
11 This agreement may include, but is not limited to, specifications of what portion of  
12 the required employer contribution shall be borne by the participating employer and  
13 what portion shall be borne by the participating employee. This provision in no way  
14 modifies the employer's obligation to remit the contributions required by the County  
15 Employees Retirement System pursuant to Sections 22 and 50 of this Act~~[KRS~~  
16 ~~61.565]~~, whether such contributions are borne by the city or by its participating  
17 employees.

18 (10) With regard to the employer participation or employer contributions pursuant to  
19 Sections 22 and 50 of this Act~~[KRS 61.565]~~ as it relates to future pension  
20 contribution requirements or as it relates to payback period or interest charge for  
21 service liability cost under alternate participation, if any statute or any resolution of  
22 the appropriate state board of trustees having authority over employer participation  
23 or employer contribution grants any terms or conditions to any city of the home rule  
24 class, or to any county, or to any urban-county government, which are more  
25 favorable in terms of participation than terms or conditions granted to any city of  
26 the first class, then said provisions for employer participation or contribution shall  
27 be available to the city of the first class, at its option and effective upon adoption by

1 the city of the first class and notification to the County Employees Retirement  
2 System.

3 ➔Section 115. KRS 161.675 is amended to read as follows:

4 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis  
5 to provide a broad program of group hospital and medical insurance for present and  
6 future eligible recipients of a retirement allowance from the Teachers' Retirement  
7 System. The board of trustees may also arrange to provide health insurance  
8 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304  
9 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative  
10 to group hospital and medical insurance for persons eligible for hospital and  
11 medical benefits under this section. The board of trustees may authorize eligible  
12 recipients of a retirement allowance from the Teachers' Retirement System who are  
13 less than age sixty-five (65) to be included in the state-sponsored health insurance  
14 that is provided to active teachers and state employees under KRS 18A.225.  
15 Members who are sixty-five (65) or older and retired for service shall not be eligible  
16 to participate in the state employee health insurance program as described in KRS  
17 18A.225.

18 (2) (a) The coverage provided shall be as set forth in the contracts and the  
19 administrative regulations of the board of trustees. The board of trustees may  
20 change the levels of coverage and eligibility conditions to meet the changing  
21 needs of the annuitants and, when necessary, to contain the expenses of the  
22 insurance program within the funds available to finance the insurance  
23 program, except as provided by paragraph (b) of this subsection. The contracts  
24 and administrative regulations shall provide for but not be limited to hospital  
25 room and board, surgical procedures, doctors' care in the hospital, and  
26 miscellaneous hospital costs. An annuitant whose effective date of retirement  
27 is July 1, 1974, and thereafter, must have a minimum of five (5) years'

1           creditable Kentucky service in the Teachers' Retirement System or five (5)  
2           years of combined creditable service in the state-administered retirement  
3           systems if the member is retiring under the reciprocity provisions of KRS  
4           61.680, ~~and~~ 61.702, and Section 50 of this Act. An annuitant shall not elect  
5           coverage through more than one (1) of the state-administered retirement  
6           systems. The board of trustees shall offer coverage to the disabled child of an  
7           annuitant regardless of the disabled child's age if the annuitant pays the entire  
8           premium for the disabled child's coverage. A child shall be considered  
9           disabled if he has been determined to be eligible for federal Social Security  
10          disability benefits.

11          (b) Individuals who become members of the Kentucky Teachers' Retirement  
12          System on or after July 1, 2008, shall not be eligible for benefits under this  
13          section unless the member has at least fifteen (15) or more years of service  
14          credited under KRS 161.500 or another state-administered retirement system.

15          (3) All expenses for benefits under this section shall be paid from the funding  
16          provisions contained in KRS 161.420(5), from a trust fund established by the board  
17          under 26 U.S.C. sec. 115, premium charges received from the annuitants and the  
18          spouses, and from funds that may be appropriated or allocated by statute.

19          (4) (a) The board of trustees shall determine the amount of health insurance  
20          supplement payments that the Teachers' Retirement System will provide to  
21          assist eligible annuitants in paying the cost of their health insurance, based on  
22          the funds available in the medical insurance fund and any trust fund  
23          established by the board for this purpose under 26 U.S.C. sec. 115. The board  
24          of trustees shall establish the maximum monthly amounts of health insurance  
25          supplement payments that will be made by the Kentucky Teachers' Retirement  
26          System for eligible annuitants. The board of trustees shall annually establish  
27          the percentage of the maximum monthly health insurance supplement

1 payment that will be made, based on age and years of service credit of eligible  
 2 recipients of a retirement allowance. Monthly health insurance supplement  
 3 payments made by the retirement system may not exceed the amount of the  
 4 single coverage insurance premium chosen by the eligible annuitants. In order  
 5 to qualify for health insurance supplements, the annuitant must agree to pay  
 6 the difference between the insurance premium and the applicable supplement  
 7 payment, by payroll deduction from his retirement allowance, or by a payment  
 8 method approved by the retirement system.

9 (b) The board shall, effective July 1, 2010, have the authority to charge retired  
 10 members who are not paying the Standard Medicare Part B premium an  
 11 amount equal to the Standard Medicare Part B premium in addition to any  
 12 other payments determined by the board to be necessary to contain costs  
 13 within the available funding. If the board determines that retired members  
 14 who are not paying the Standard Medicare Part B premium should pay the  
 15 equivalent of the Standard Medicare Part B premium, the board shall phase in  
 16 the premium according to the following schedule:

17	July 1, 2010.....	Thirty-three percent (33%)
18	July 1, 2011.....	Sixty-seven percent (67%)
19	July 1, 2012, and thereafter.....	One hundred percent (100%)

20 Nothing in this paragraph shall limit the board's authority to change the levels  
 21 of coverage, eligibility conditions, or levels of health insurance supplement  
 22 for retirees in order to contain costs within available funding.

23 (c) The board of trustees may offer, on a full-cost basis, health care insurance  
 24 coverage provided by the retirement system to spouses and dependents of  
 25 eligible annuitants not otherwise eligible for regular coverage. Recipients of a  
 26 retirement allowance from the retirement system must agree to pay the cost of  
 27 this coverage by payroll deduction from their retirement allowance or by a

1 payment method approved by the retirement system.

2 (d) The board of trustees shall offer, on a full-cost basis, health insurance  
3 coverage provided by the retirement system to the disabled child of an  
4 annuitant, regardless of the age of the disabled child. A child shall be  
5 considered disabled for purposes of this section if the child has been  
6 determined to be eligible for federal Social Security disability benefits.

7 (5) The board of trustees is empowered to require the annuitant and the annuitant's  
8 spouse to pay a premium charge to assist in the financing of the hospital and  
9 medical insurance program. The board of trustees is empowered to pay the expenses  
10 for insurance coverage from the medical insurance fund, from any trust fund  
11 established by the board for this purpose under 26 U.S.C. sec. 115, from the  
12 premium charges received from the annuitants and the spouses, and from funds that  
13 may be appropriated or allocated by statute. The board may provide insurance  
14 coverage by making payment to insurance carriers including health insurance plans  
15 that are available to active and retired state employees and active teachers,  
16 institutions, and individuals for services performed, or the board of trustees may  
17 elect to provide insurance on a "self-insurance" basis or a combination of these  
18 provisions.

19 (6) The board of trustees may approve health insurance supplement payments to  
20 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement  
21 for hospital and medical insurance premiums made by annuitants for their  
22 individual coverage. Eligible annuitants or recipients are those annuitants who are  
23 not eligible for Medicare and who do not reside in Kentucky or in an area outside of  
24 Kentucky where comparable coverage is available. The reimbursement payments  
25 shall not exceed the minimum supplement payment that would have been made had  
26 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof  
27 of payment to the retirement system for hospital and medical insurance that they

1 have obtained. Reimbursement payments shall be made on a quarterly basis.

2 (7) Contracts negotiated may include the provision that a stated amount of hospital cost  
3 or period of hospitalization shall incur no obligation on the part of the insurance  
4 carrier or the retirement system or any trust fund established for this purpose by the  
5 board.

6 (8) The board of trustees is empowered to promulgate administrative regulations to  
7 assure efficient operation of the hospital and medical insurance program.

8 (9) Premiums paid for hospital and medical insurance coverage procured under  
9 authority of this section shall be exempt from any premium tax which might  
10 otherwise be required under KRS Chapter 136. The payment of premiums by the  
11 medical insurance fund or another trust fund established by the board for this  
12 purpose shall not constitute taxable income to an insured recipient.

13 (10) In the event that a member is providing services on less than a full-time basis under  
14 KRS 161.605, the retirement system may pay the full cost of the member's health  
15 insurance coverage for the full fiscal year that the member is providing those  
16 services, at the conclusion of which, the retirement system may then bill the active  
17 employer and the active employer shall reimburse the retirement system for the cost  
18 of the health insurance coverage incurred by the retirement system on a pro rata  
19 basis for the time that the member was employed by the active employer.

20 ➔Section 116. KRS 61.557 is amended to read as follows:

21 (1) Inasmuch as the takeover of the Kentucky State Employment Service by the federal  
22 government, through its United States Employment Service and War Manpower  
23 Commission, was recognized by both federal and state governments as a temporary  
24 measure during the war emergency, and the employment service was, in fact,  
25 returned to the state government at the close of the emergency period, the  
26 employees of the service are recognized as employees of the Commonwealth for the  
27 purposes of KRS 61.510 to 61.692 during the period of control by the federal

1 government, in the same manner as if they had been employed in another  
2 department of the government of the Commonwealth during that period.

3 (2) If a parted employer rejoins a department as a result of the cancellation of a contract  
4 or lease arrangement, thereby causing each employee thereof to again become an  
5 employee as defined in KRS 61.510(5), the system may negotiate with the publicly  
6 held corporation or other similar organizations for payment for the years of service  
7 credit under the system for all employees working on the date the contract or other  
8 lease arrangement is canceled in order to avoid an impairment in the retirement  
9 benefits of the employees, if any payment accepted by the system for the service is  
10 consistent with the provisions of KRS 61.552~~(5)~~~~(6)~~ and ~~(7)~~~~(8)~~. No payment  
11 made pursuant to this section shall be picked up by the employer, as described in  
12 KRS 61.560(4).

13 ➔Section 117. KRS 7A.255 is amended to read as follows:

14 (1) Notwithstanding KRS 21.345 to 21.580, 61.661, 61.870 to 61.884, or 161.585 to  
15 the contrary, on or before November 15 following the close of each fiscal year, the  
16 state-administered retirement systems shall collectively file a report with the Public  
17 Pension Oversight Board that shall include the following information for each  
18 member or recipient of a retirement allowance from any of the state-administered  
19 retirement systems:

20 (a) A unique identification number for each member or recipient that is created  
21 solely for purposes of compiling the report provided by this section and which  
22 shall not be the member's Social Security number or personal identification  
23 number issued by the systems. For individual members or recipients with  
24 multiple accounts in the state-administered retirement systems, all of the state-  
25 administered retirement systems shall use the same unique identification  
26 number;

27 (b) The system or systems in which the member has an account or from which the



1 retired member is receiving a monthly retirement allowance;

2 (c) The status of the member or recipient, including but not limited to whether he  
3 or she is a contributing member, a member who is not currently contributing  
4 to the systems but has not retired, a retired member, a beneficiary, or a retired  
5 member who has returned to work following retirement with an agency  
6 participating in the systems;

7 (d) If the individual is a retired member or beneficiary, the annualized monthly  
8 retirement allowance that he or she was receiving at the end of the most  
9 recently completed fiscal year; and

10 (e) If the individual is a member who has not yet retired, the estimated annual  
11 retirement allowance that he or she is eligible to receive at his or her normal  
12 retirement date based upon his or her service credit, final compensation, and  
13 accumulated account balance at the end of the most recently completed fiscal  
14 year.

15 Under no circumstances shall the member's name, address, or Social Security  
16 number be included in the information required to be reported to the board by this  
17 section, nor shall the unique identification number established by subsection (1) of  
18 this section be capable of being linked to a specific member's retirement account  
19 with a state-administered retirement system.

20 (2) On or before November 15 following the close of each fiscal year, the state-  
21 administered retirement systems shall report to the Public Pension Oversight Board  
22 the percentage of system assets and managers for which fees and commissions are  
23 being reported in accordance with subsection (18)(i) of Section 56 of this Act, KRS  
24 ~~[21.540(4)(m), 161.645(19)(i), and 161.250(4)(i)]~~. This subsection shall apply on a  
25 fiscal year basis beginning on or after July 1, 2017.

26 (3) On or before November 15, 2017, the state-administered retirement systems shall  
27 tender to the Public Pension Oversight Board a copy of their board-adopted

1 investment procurement policy along with certification from the secretary of the  
2 Finance and Administration Cabinet that the investment procurement policy meets  
3 or does not meet the best practices for investment management procurement. If the  
4 board amends its investment procurement policy, it shall tender a copy of its  
5 amended investment procurement policy to the Public Pension Oversight Board  
6 within sixty (60) days of adoption along with certification from the secretary of the  
7 Finance and Administration Cabinet that the policy meets or does not meet the best  
8 practices for investment management procurement.

9 ➔Section 118. The following KRS sections are repealed:

10 78.533 Employees of Metropolitan Park and Recreation Board of Jefferson County,  
11 credit for former service.

12 78.534 Participation of qualified circuit clerks and deputy clerks -- Transfer of service  
13 credit.

14 78.532 Employees formerly employed by private employer -- Credit for former service.

15 78.542 Required participation by retired hazardous members in an elected city or county  
16 office on June 21, 2001 -- Election not to participate -- Purchase of service credit.

17 78.545 Matters not specified in KRS 78.510 to 78.852.

18 212.434 Prior service credit.

19 ➔Section 119. All administrative decisions made by the Kentucky Retirement  
20 Systems board of trustees prior to July 1, 2018, on behalf of the County Employees  
21 Retirement System, including but not limited to approval for hazardous positions,  
22 administrative decisions, and disability determinations, shall be implemented on July 1,  
23 2018, and shall not be reversed except under the authority granted by KRS 78.510 to  
24 78.852 to the County Employees Retirement System board of trustees.

25 ➔Section 120. The three elected trustees of the County Employees Retirement  
26 System who are serving as trustees of the Kentucky Retirement Systems immediately  
27 prior to the effective date of this Act shall serve as the three elected trustees of the County

1 Employees Retirement System board as provided by Section 56 of this Act and shall  
2 serve for the duration of the terms for which they were elected.

3 →Section 121. No provisions of this Act shall increase or decrease benefits being  
4 paid to retirees, beneficiaries, or recipients of the Kentucky Retirement Systems or the  
5 County Employees Retirement System nor shall any provisions of this Act increase or  
6 decrease benefits that have accrued to members of the Kentucky Retirement Systems or  
7 the County Employees Retirement System on the effective date of this Act.

8 →Section 122. The provisions of this Act shall not be construed to limit the  
9 General Assembly's authority to amend, reduce, or suspend any provision of KRS 16.505  
10 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, that the General Assembly had the  
11 authority to amend, reduce, or suspend, prior to July 1, 2018.

12 →Section 123. Whereas ensuring the full funding and future sustainability of the  
13 Teachers' Retirement System and the County Employees Retirement System is important  
14 to retirees and the taxpayers of the Commonwealth of Kentucky, an emergency is  
15 declared to exist, and this Act takes effect July 1, 2018.